










## **WILL TERRITORIAL COHESION SURVIVE AFTER 2028? ASSESSING THE IMPLICATIONS OF THE REFORM OF COHESION POLICY FOR FUTURE STRUCTURAL FUNDS**

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### **Abstract**

The paper provides a comprehensive analysis of promoting territorial cohesion as an EU Treaty objective after 2027. It identifies emerging challenges that must be addressed and outlines the fundamental components of a new EU cohesion framework. Furthermore, it examines the process by which these elements should

be integrated into the EU Multiannual Financial Framework beyond 2027. The paper presents some new and forward-looking proposals, including the establishment of a new coordination mechanism translating overarching EU goals into local and regional implementation efforts. It provides a snapshot in the EU debate on the future of territorial cohesion initiated and promoted by the Polish Presidency of the EU Council and supported by Polish and foreign scientists in 2023-2024. This article is exploratory and reflective in nature and is intended to serve as inspiration for further discussion. It is based on a review of research on the cohesion policy, as well as on the authors' expert knowledge.

## Keywords

Territorial Cohesion • EU Cohesion Policy • EU Multiannual Financial Framework beyond 2027 • place-based approach • inequalities • European semester • multi-level governance • structural funds

## Introduction

Territorial cohesion became a EU Treaty objective in 2008, putting the three dimensions of cohesion on an equal footing. Prior to this, the EU had already implemented policies aimed at harmonizing development and reducing inequalities at the subnational level since the mid-1970s. These efforts were carried out under various names, but for the purposes of this article, we will consistently refer to them as the EU Cohesion Policy<sup>1</sup> (CP). The aforesaid policy (despite changes in its name and priorities) has been operational for over 36 years, however, its meaningful practical implementation began with the Delors reform of 1988. This reform notably increased financial contributions to cohesion objectives at the EU level and institutionalised a strategic, multiannual, geographically focused, and multilevel governance approach to implementation – which the authors see as ground breaking and forward-thinking decisions at the time, credited in many scientific publications (e.g. McCann & Ortega-Argilés, 2012). It cemented the discourse on polarization (its consequences, acceptable scope, and countermeasures) and the territorial dimensions of both public and private policies and interventions, acknowledging that these

actions yield diverse impacts across different regions of the EU.

The need for ensuring convergence can be traced back to the Treaty of Rome of 1957, which speaks of the reduction of disparities. The latter were recognised as part of the Single Market initiative, which inherently led to spatial polarization (World Bank, 2009) and posed challenges to cohesion (Letta, 2024; Toptsidou et al., 2024). The primary drivers are economies of scale and agglomeration (Fujita & Thisse, 2002), which continue to be relevant (Toptsidou et al., 2024; Venables, 2023). For instance, Iammarino (2023) highlights the persistence of the regional development trap and spatial disparities in regional wealth, pointing to self-reinforcing backward and forward linkages between economies of agglomeration and institutions that reinforce these patterns. Although the new economic geography (Fujita et al., 2000) has posited dispersion effects once the critical threshold of trade costs is surpassed, there is no empirical evidence of this phenomenon occurring on a significant scale. Thus, polarization/concentration appears to be an unavoidable outcome of economic growth (World Bank, 2009: 9), with CP being designed as a primary policy instrument to address this.

While the fundamental rationale for CP has remained unchanged over the years, the policy itself has significantly evolved, expanding its scope and objectives, often in ways that deviate from the intentions of its

<sup>1</sup> The authors are aware that the EU Regional Policy changed significantly and important changes could be observed when it transformed into the Cohesion Policy, but for the purpose of this paper this is of secondary importance

architects (Bachtler & Mendez, 2025). For this reason, implementing cohesion as a Treaty objective necessitates deeper reflection, especially in a period when the EU is faced with major internal and external challenges and difficult decisions on budgetary priorities. The Polish Presidency of the EU Council in 2025 intensified this debate, including reflection on rethinking the EU framework for achieving Treaty-level cohesion objectives and restoring the CP's strategic effectiveness. Therefore this paper has emerged as a result of meetings of the experts and policy officials involved EU territorial cohesion. It is the outcome of a series of debates held in 2023 and 2024 in Poland and internationally. It was written using the informed insider view or participation approach. The authors supported the Polish Presidency of the EU Council in preparing documents related to the CP. The text presents opinions of the authors as independent experts in the field of cohesion policy. It contains neither findings nor the political stance of the Presidency, which was formulated based on a broader range of political processes and emerging political windows of opportunity. This article is exploratory and reflective in nature and is intended to serve as inspiration for further discussion. Therefore, the paper can be juxtaposed with both academic and political discourse, which constitutes its added value compared to typical analytical texts.

The paper consists of four sections. The first section is a synthesis of both failures and successes of the EU in achieving territorial cohesion and reducing inequalities/disparities. The second section identifies new circumstances that must be considered in this context. The third section outlines the key building blocks of a new architecture for achieving territorial cohesion within the EU, and the fourth one discusses the process needed to integrate these elements. The analysis contained in this paper has been carried out under the assumption that there will inevitably emerge new, urgent challenges (e.g., security, migration, climate change) requiring the EU's attention and

adequate financial resources but only some of them will require CP investments (Bachtler & Mendez, 2024).

### **Strengths and weaknesses of the EU in achieving territorial cohesion as a Treaty objective**

From its inception, the dominant objective of the CP has been to support development and structural adjustment in less-developed regions and to promote convergence. This focus has been present in every CP programming perspective since 1988 (when it was referred to as a regional policy), although the policy has always addressed other regional issues, notably restructuring of old industrial regions and rural under-development. It should be noted that the concept of cohesion, which from the very beginning has had a more political than scientific character, has evolved from economic and social cohesion, included in the Treaties of Rome, to territorial cohesion, which broadened its meaning in accordance with the provisions of the Treaty of Lisbon. Regardless of this process, transfer payments from the wealthiest to the poorest regions in the EU, particularly through the Cohesion Policy, shaped the potential for generating political goodwill first towards the Communities and later towards the EU, irrespective of their actual effectiveness and efficiency (Dąbrowski et al., 2019; Fidrmuc et al., 2019; Dijkstra et al., 2020; Védrine & Le Gallo, 2021; López-Bazo, 2022).

Initially, the CP had a primarily compensatory dimension, restricting regional policy to certain regions defined according to backward-looking indicators, invariably at NUTS 2 or NUTS 3 levels. As noted by Tarshys (2003: 6), such a policy "has played an important historical role in European integration, but its policy logic suffers from internal inconsistencies." Its financial resources were insufficient to equalize well-being levels across regions, nor did it stimulate self-reinforcing growth and development processes in less developed regions. Furthermore, it failed to alleviate disparities within the EU Member States

(Tarshys, 2003: 41). From 2006 onwards, the CP recognised the need to support place-based development throughout the EU, with all regions becoming eligible for the policy (Szlachta, 2014). This caused a shift in the CP paradigm from solely supporting convergence to enhancing the utilization of endogenous potential for development. Consequently, the conceptual foundations of the CP shifted from a policy with an explicitly redistributive objective to an investment-oriented policy that was more responsive to development challenges, regardless of where they occurred and – in line with a place-based paradigm – the policy extended to cover both rich and poor regions.

The contemporary place-based approach clearly highlights CP's role as a vehicle for exploiting development opportunities in location-specific ways. This issue has gained significant importance in the light of studies (Rodríguez-Pose, 2018; Dijkstra et al., 2020) suggesting growing populism and a lack of market-driven adaptive processes (e.g., labour migration) predicted by classical economics as responses to spatial development polarization. Apparently, economic growth at the national level does not reduce social tensions, reaffirming the importance and relevance of cohesion as a Treaty objective for the EU.

However, shifting to an investment-oriented policy, focusing more on building lasting foundations for development, for instance through the expansion of infrastructure, instead of providing ad hoc social support, as was the case under the dominance of the compensatory approach (Churski et al., 2024b), it is not an easy task. Treating cohesion as a key value and a fundamental principle, rather than merely a financing mechanism, has become a genuine challenge (European Committee of the Regions, 2021).

Firstly, over time, the role of CP as a catalyst for addressing these tensions has diminished. Since the mid-2000s, the CP was deliberately framed as a vehicle for delivering wider EU objectives (Bachtler et al., 2013) and began to be perceived as a general funding pot for all developmental needs and challenges within

the EU. As stated by Leino (2024: 1) “Cohesion Policy now stretches to nearly anything that the EU funds, irrespective of any pre-existing competence limitations”. In line with that definition, the CP has become very ambitious, it not only contributes to the strengthening of economic, social, and territorial cohesion in the EU but it also “delivers on the Union's political priorities, especially the green and digital transition” (see New Cohesion Policy, 2021). This shift blurred the policy's focus and led beneficiaries to misinterpret its necessity and core purpose, interpreted by some as a “cash machine” model. The policy was burdened with an expanding range of new responsibilities, financing additional development priorities, and fostering the illusion that it could address all of the EU's transformational challenges. This dilution of its original purpose is reflected in the 9th Cohesion Report (European Commission, 2024b). The discussion in the literature indicates that, although several objectives may coexist and be effectively pursued, they need to be carefully selected and, above all, operationally implemented in order to prevent potential contradictions (Fratesi, 2025).

Secondly, new weaknesses have emerged regarding the allocation of CP resources within the regions. This is largely related to institutional capacity, as wealthier regions have greater administrative capabilities to absorb funds (Rodríguez-Pose & Garcilazo, 2015; Bachtrögler-Unger et al., 2024). Additionally, the lack of spatial dimension in programming – i.e., the prioritization of specific places, local areas, or sub-regions – has further complicated effective resource distribution (Medeiros et al., 2023; Redeker et al., 2024).

Despite multiple attempts to coordinate the CP with other policies and address long-term objectives (Böhme et al., 2011; Zaucha et al., 2014; Doucet et al., 2014), these efforts have largely failed. EU policies often operate in silos (Szlachta et al., 2017; Zaucha, 2017), with EU and national policies sometimes contradicting each other. Medium-term policies fail to address long-term goals such as polycentricity or the development of social

and relational capital. A territorially sensitive and integrated, place-based approach has only been partially achieved (Zauchá et al., 2013; European Commission, 2024a). While EU policymakers have recognized the issue, the policy responses have tended to be piecemeal rather than comprehensive solutions. EU territorial tools such as integrated territorial investments and community led local development, meant to promote policy integration, serve as partial substitutes. The integration of activities within these instruments took on an ad hoc character, focused on the joint spending of the available support, without taking into account the overarching need to shape the conditions for sustainable long-term development (Churski et al. 2021). Unfortunately, the integrated approach (promoted under Policy Objectives, mainly PO 5 in 2021-2027) remains a relatively small and sometimes part of the CP. The findings of the stocktaking of the review of the Territorial Agenda 2030 highlight the need for stronger implementation of sustainable territorial development in Europe, emphasizing that despite progress in achieving its overall objectives, key challenges remain unchanged. In particular, attention is drawn to the need to improve cross-sectoral cooperation, strengthen innovation and the green transition at the territorial level, as well as to the importance of cohesion and the alignment of territorial policies with the realities of diverse contexts (ESPON, 2024).

Public policies can trigger developmental changes, but their scope depends on activating complementary economic (private sector) and social (civil society mobilization) processes, ideally environmentally sensitive (Venables 2023: 10). According to the latest Cohesion Report (European Commission, 2024b: xvii), CP accounted for nearly 13% of total government investment across the EU and 51% in less-developed Member States. The leverage effects of the CP are noticeable. As presented in the 8<sup>th</sup> Cohesion report “15 years after the end of the implementation period, each €1 spent on the CP will have generated €2.7 of additional GDP at EU level, which corresponds to a rate of return of around 4% per

year” (European Commission, 2022: 298). However, important development processes, such as rural development, have got detached from the CP and the European Social Fund Plus resulting in downgrading their regional dimension. Thus, despite CP efforts, the territorial dimension of EU development still calls for strengthening. CP has not become an EU guiding compass in pursuing place-based development and guiding other policies at various spatial scales (ESPON, 2020: 2; European Commission, 2024a: 27).

## New challenges and circumstances

In recent years, new circumstances have emerged that influence the perception of the role and significance of territorial cohesion as an EU objective. These include, the ongoing erosion of the European Union’s strength and role as an innovation hub, environmental and climate threats, the SARS-CoV-2 pandemic consequences, security and defence problems, as well as diminishing attractiveness of the Single Market. The following section focuses on the structural, long-term challenges that impact the rationale behind territorial cohesion as a Treaty objective, making the case for bringing EU cohesion discourse back to its origin.

## New development paradigms

The SARS-CoV-2 pandemic, climate change effects, increasing wealth levels, and Brexit have contributed to the changing people’s perception in a large proportion of the EU that GDP growth is no longer a sufficient indicator of improvement (Widuto et al., 2023). In parallel, new proposals have emerged, such as regional resilience, resource efficiency, and territorial justice. The first concept refers to the ability of regions or functional areas to cope with external shocks (terms vary, e.g., evolutionary resilience or low shock susceptibility). This approach to development goals gained significance after the SARS-CoV-2 pandemic but had already been noted earlier in

the literature (e.g., OIR, 2011; Davoudi, 2012). The second and third proposals arise from the limited growth resources combined with the social implications of excessively high disparities in living standards and quality of life. They refer to a dilemma of meeting the needs of all people within the resources available globally.

Two key “safety limits” for economic development have been identified: the social one, ensuring no one lacks basic means of living; and the ecological one, protecting against human actions disrupting life-supporting systems on Earth. Between these two constraints lies a “doughnut-shaped” safe and socially just space where humanity can thrive (Raworth, 2017). The “doughnut economics” concept forms a continuation of sustainable development discourse (Dühr, 2011).

Consequently, new developmental goals have emerged at the EU level alongside GDP growth enhancement. However, there is a lack of mutual positioning and prioritization of these goals.

Furthermore, the moderate growth paradigm has recently been challenged at the EU level. The discourse on competitiveness has begun to dominate the global agenda (see Draghi, 2024; Letta, 2024). These developments have resulted in a dual paradigm concerning development goals, which will be elaborated on in the next section.

### Implications for territorial cohesion:

- The need to frame inequalities within the context of new developmental paradigms, oriented towards regional resilience, resource efficiency, and territorial justice,
- The need to embed cohesion within the overarching palette of EU developmental goals and to prioritise them.
- The absolute need not to lose the existing mechanisms supporting EU cohesion, but rather to expand and strengthen them.

### Traps of economic growth

Economic growth still matters but, the paradigm shift has led to a change in approach

to its consequences and effects. The purely economic approach was driven by the pursuit of increasing productivity. The result was globalization, resulting in offshoring economic “tasks” to lower cost locations (Baldwin, 2006). This system aligned well with the competitiveness paradigm but also generated social (e.g. growing populism in highly developed countries, see Milner, 2021) and ecological (e.g. degradation of natural environment, increased level of carbon emissions – see Bu & Lin, 2017) tensions. This also led to the emergence of persistent development traps associated with the specific developmental conditions of the economies of individual European regions (Diemer et al., 2022).

Doubts about this approach have arisen not only at the social or ecological level but also due to the excessive concentration of production or resource supplies in specific global regions. Negative side-effects of globalization were revealed during the SARS-CoV-2 pandemic when disruptions to production centres and transportation channels in one part of the world delayed production on a transcontinental scale (Shih, 2020). These disruptions affected not only the EU regions participating in global value chains but also the poorer regions through second-order effects (Meinen et al., 2021: 4). Research indicates that the ability to cope with the consequences of the SARS-CoV-2 pandemic was strengthened by local resilience to external shocks and high adaptive capacity (Zwolinska-Ligaj & Guzal-Dec, 2024). However, such capacity is often limited in poorer peripheral regions (Zaucha, 2014: 236).

Climate change is another consequence of continuous growth. The EU Green Deal is a response, but it will have specific territorial implications (European Commission, 2024a). To achieve its climate goals, the EU must rely on solar panels, electric batteries, and other devices manufactured in China. The same applies to digitalization – ambitious objectives are being facilitated by American technology. In relatively poorer and peripheral EU regions the climate-related disturbances might significantly increase the costs of heating

and limit access to services of general economic interest – SGEI (for the concept of SGEI, see Ludlow & Rauhut, 2013 or Świątek et al., 2013) since mobility there depends on old vehicles, and there is no public transport (e.g., Orchowska, 2022). This might be even worse if state transportation policy does not address this problem, focusing on road construction rather than on transportation services. As a result, a significant portion of society may fall into a poverty trap losing access to SGEI. In such a case, one can expect a deepening of territorial injustice. This might lead to frustration and social discontent, with blame likely directed at the EU rather than national authorities or domestic transport or energy policies. This issue requires future coordination of policies targeting specific locations, serving as a benchmark for the perception of the effectiveness of the CP by the public.

#### Implications for territorial cohesion:

- Increased importance of the CP (or other cohesion implementation mechanisms) as a coordination vehicle,
- Incentive actions by economic and public entities not participating in the CP (in order to enhance territorial cohesion as a Treaty objective) – need to go beyond the CP,
- The necessity to consider territorial implications of new policies, e.g., shift towards competitiveness as proposed in the Draghi report, new industrial policy, the Green Deal.

#### Double Dualism

The paradigm shift has introduced a duality in approaches to developmental goals and ambitions. At the global level, success indicators remain productivity, innovation intensity, and position in global supply chains (Draghi, 2024; Letta, 2024), measures which usually favour well established metropolitan regions (EU, 2024: 20-21). However, in parallel to that, the EU wishes to pursue green and just development (TA, 2020), an ambitious goal that

might be possible but demanding (see, e.g., Weitzel, 2025).

At national and subnational levels, a new dichotomy emerges. While in EU catching-up regions, income growth, job stability, and employment level are still crucial, more developed regions (with developmental prospects) focus on the quality of life, access to high-quality natural environments, residential choice options, and high-standard SGEI. As a result, the functions of regional and local communities are changing. Wealthier consumers focus not solely on maximizing consumption but on optimizing the territorial product – a broader range of goods and services that meet more sophisticated needs. This approach assumes a minimum level of territorial utility defined by public authorities (e.g., access to SGEI) and is contingent on the retention of well-paid jobs. It reflects consumers' search for functional areas offering maximum territorial output (Mogiła, 2017). However, the mechanism varies for each individual, leading to a sorting process akin to the Tiebout model (1956). The policy landscape is increasing in complexity.

#### Implications for territorial cohesion:

- Focusing CP (like other EU policies) on territorial output rather than on specific investment activities (in practical terms it means CP is stronger oriented on holistic results than on single actions),
- Differentiating cohesion implementation approaches – in line with the afore described dualism.
- While doing that one should pay attention to improving the EU's global economic competitive position.

#### Changes in the nature and manifestation of inequalities

As indicated in the latest Cohesion Report (European Commission 2024b: xxvi), convergence among the EU countries has been accompanied by deepening subnational disparities emerging at regional and local levels. Some of them manifest themselves at the level of functional regions (below NUTS 2 level

and across NUTS 2 borders) and their proper understanding calls for paying attention to the networking processes in line with the concept of the poverty of territorialism (Faludi 2018; 2015). Moreover, inequalities are not absolute but relative – linked to the concept of “geography of discontent” (Rodríguez-Pose, 2018) – and affect the entire EU territory. Their occurrence further highlights the fact that the effectiveness of intervention measures is not uniform across all contexts and requires in-depth research to identify territory-specific development factors (Di Caro et al., 2022), which underscores the need to apply a territorially oriented approach in regional policy practice (Churski et al., 2021).

An additional differentiating criterion is not only the level of affluence but also the prospects for its growth and sustainability. Alongside low-income regions, a new category of low-growth regions has emerged. These regions, despite their relatively high level of development, have lost the ability to sustain this status as a result of crises, and “left-behind places” have become a central theme of geographical inequalities (Farole et al., 2018; European Commission 2024a; Pike et al., 2024). The CP has tried to adapt to these new circumstances (European Commission, 2024b) although this paradigm shift still requires better communication to the general public.

It is important to acknowledge the inevitability of spatial development disparities, which, as long as they remain within socially acceptable levels (Faludi & Rocco, 2022), constitute a fundamental feature of capitalist economies (Harvey, 2005). While a certain level of spatial inequality in development is inherent and unavoidable, it is equally important to recognize that its persistence and deepening can lead to entrenched disparities. These, in turn, escalate in scale and cost, becoming increasingly difficult to address (Rodríguez-Pose et al., 2024). The OECD (2023) identifies three primary categories of these costs: economic (arising from untapped potential and the syndrome of learned helplessness); social (such as inequitable access

to SGEI); and political (e.g., societal discontent and the rise of populism).

#### **Implications for territorial cohesion:**

- Channelling large share of EU CP-related financing to the regions defined according to backward looking indicators,
- Pursuing territorial cohesion across administrative borders of the entire EU,
- Considering functional areas and network systems,
- Building consensus on acceptable inequality levels for various EU areas.

### **Building blocks of renewed approach to EU territorial cohesion**

Turning now to the future, the question is whether and how the above critical assessment requires a renewed approach to the implementation of EU territorial cohesion as a Treaty objective.

#### **Beyond CP**

The above analysis demonstrates the need for a shift in policy approach, with a transition from the current focus on the CP towards implementing territorial cohesion through a broader spectrum of policies and related activities. This is a long-lasting battle whose roots can be already traced in the EU Territorial Agendas 2020 and 2030 (TA, 2011, 2020; Doucet et al., 2014), however, never successful. The pursuit of cohesion, as a Treaty objective, should not be confined solely to the EU financed interventions. Instead, cohesion should become a task for all policies and across various spatial scales. This should be an essence of a renewed CP with focus shifted from financing to coordination. Territorial cohesion ought to be recognized as a general strategic determinant of public intervention, akin to how climate issues are currently addressed. It should permeate sectoral and domain-specific policies across spatial scales through universally accepted rules and principles. Meanwhile, CP should



remain the leading mechanism guiding pro-cohesion investments at the EU level and driving reforms that support territorial cohesion. In such a case, the EU financial component of CP will cease to be the most important as it is now (CP as a funding source).

### **Supporting competitiveness (and other overall EU objectives) through enhanced cohesion**

Objectives within the EU are often established without taking due account of relations between them or leveraging existing knowledge. It is essential to emphasize that cohesion and competitiveness might not seriously contradict each other. The trade-off between the 2 priorities can be reduced (and some synergies increased) with territorial optimization (Bradley & Zaucha, 2017; EPRC & MDFRP, 2024). While Draghi (2024) was correct in diagnosing the erosion of the EU's global competitiveness relative to other major economies, it is inappropriate to boil down cohesion to a solely social dimension. A place-based approach, as highlighted in the KIT report (ESPON, 2012) and High-Level Group Report (European Commission, 2024a), underscores the significance of territorial capital in activating innovative processes. The problem lies not only in the EU's relative weakness as a global innovation hub but also in the considerable untapped potential that lacks effective mechanisms for productive utilization, aligned with the previously described dualism.

A place-based approach that considers territorial circumstances is indispensable to mobilize the untapped potential. Given the rapidly growing competitiveness of major global players, such as the USA and China, reinforcing cohesion within the EU necessitates strengthening a policy focus on enhancing the structural competitiveness and resilience of EU regions. This is particularly critical for less-developed regions or those facing specific challenges or difficulties in adapting to or responding to socio-economic, demographic, or energy transition shocks.

Moreover, cohesion is fundamental to EU integration, founded on democratic values; it enhances not only competitiveness but also resilience and spatial justice. Similar positioning would need to be established between cohesion and other overarching EU objectives, including environmental concerns and resilience.

### **Accepting inequalities**

As noted above, inequalities cannot be fully eliminated; they will persist even in the wealthiest countries and at regional/sub-regional levels, which often have the primary task of addressing them. Market mechanisms alone will not mitigate these disparities, and behavioural factors (e.g., perceptions of developmental prospects) will gain increasing significance. Therefore the approach should be expanded to cover measuring and detecting inequalities (e.g., using a higher spatial resolution and incorporating new social indicators) while redefining the role of public administration in addressing them.

Such an approach to inequalities requires rethinking the roles and responsibilities of various actors in addressing these challenges. At the EU level, it appears necessary to identify those inequalities that threaten the cohesion of the EU as a whole. These should become the subject of territorial dialogue between the European Commission, Member States, and regions.

At the EU level, minimum standards for access to SGEI should also be established under a renewed cohesion policy. This would provide EU citizens with a sense that there is a guarantee mechanism safeguarding their fundamental interests and ensuring territorial justice (a "Just Europe"); for territorial justice see, for example: Boyne & Powell (1991); Solly (2020); Aksztejn (2020); Czapiewski (2018) or Piras et al. (2021).

Such an approach would clarify the European Commission's role (ensuring a focused and transparent strategic goal) and lend new meaning to European integration. Meanwhile, regions should work out networked

and functional arrangements helping to address inequalities. Many inequalities manifest themselves at the local level, which often lacks the necessary resources, knowledge, and competencies to tackle them. Additionally, some inequalities go beyond local boundaries, meaning they call for coordinated efforts.

### New coordination mechanism

Taking cohesion seriously as a Treaty objective implies that it must be embedded in a wide spectrum of public interventions across various spatial scales, rather than being limited to the CP. Previously, efforts to achieve this were primarily pursued through Territorial Impact Assessments (Camagni, 2017; Medeiros, 2020), although sometimes conducted in a mechanical and formalistic manner, i.e., “to provide justification for decisions which have already been taken and are driven principally by political anticipations of gain” (Golobič & Marot, 2011: 172).

To integrate cohesion effectively into other policies, a more robust coordination mechanism is required. One such mechanism could be the well-established European Semester. However, it would require a renewed mechanism for policy commitment of the Member States and their improved dialogue with the European Commission since research has indicated that the track record of Semester objectives being delivered is poor outside the fiscal domain (Darvas & Leandro, 2015). Moreover, this would necessitate the reform of the Semester to incorporate a medium-term perspective and strengthen its focus on structural transformation needs required to achieve EU goals at national and various territorial levels. These changes would strengthen cohesion as a core coordinating framework. Such an approach would enable the integration of cohesion into national and sub-national policies, ensuring their alignment with cohesion as a Treaty objective. Equally important is the need to embed cohesion in strategic documents adopted by the Council of the EU.

### Functional multi-level governance

It is essential, however, to make sure that cohesion does not become diluted during implementation efforts. The model supporting this should draw from the experiences of multi-level governance. The concept is an old one within the EU (e.g., Bruszt, 2008) but its cohesion related conceptualization should be pursued. Its core components should include top-down visions, goals, and rules – or even standards – established at the EU level alongside bottom-up implementation methods to leverage the benefits of a place-based approach (Barca, 2009). At the EU level, we need to define objectives, their relative hierarchies, and synergistic and antagonistic effects. Additionally, rules (or “vehicles”) for implementation, such as place-based and multi-level governance approaches, should be determined and agreed.

Furthermore, the role of functional regions (across various spatial scales, e.g. metropolitan, cross-border, and macro-regional) and cross-boundary collaboration should be emphasized to avoid the pitfalls of narrowly understood territorialism, as previously discussed and highlighted by Faludi (2018). A vital aspect of this approach is building the capacity to formulate pro-cohesion solutions at the local level and within functional and network arrangements. The existing EU territorial instruments, such as integrated territorial investments or community-led local development, proved to be very useful in this regard (CEMR, 2022). But they might require strengthening by compatible national and regional instruments/measures accompanied by adequate funding (ESPON, 2021a: 61). This is important to deliver cohesion in practice.

The subnational level should be taken into account as a territorial unit of intervention in placing/implementing CP. This would require having regional programmes at least in the larger EU Member States because regions (including functional ones like metropolitan areas) serve as the most effective interface – due to their scale, knowledge base, and management experience – for balancing local,

supra-local, and national interests in specific places. (Churski et al., 2024b; ESPON, 2021b for the case of metropolitan regions).

### **CP: Shift of focus from spending to results**

As emphasised above, it is important to go beyond traditional CP (understood as a funding source), to embed territorial cohesion in various EU policies, actions, and initiatives. However, a EU funding component should remain in a renewed CP, since the latter should serve as both an investment and reform-oriented policy for the achievement of Treaty cohesion goals. Still, to meet the aforementioned objectives, CP-related EU funding must be result-oriented. This suggestion is far from new. The requirement to achieve goals measured with quantitative indicators was introduced in multi annual programming already in 2007 and funding was provided accordingly. Key Performance Indicators are used in monitoring, evaluation, for supporting decision-making, and ensuring accountability. The CP, both in its previous and current programming periods, surpasses all other EU policies in terms of its performance framework and results-oriented approach. However, it is essential now to complete this reform by linking expected results with the financing system (payments for results instead of payments for invoices).

The aim is to define precisely the expected outcomes of actions that support cohesion in the territorial dimension (or its components – such as competitiveness, access to SGEI, etc.) achieved as a result of a mix of reforms and investments but also, if possible, national and intraregional policies. Assessment should focus on results achieved rather than on expenditure eligibility, which should empower co-operation between local, functional, and regional stakeholders in CP implementation. Orientation on results is not only an important simplification/clarification but also a way of improving policy delivery to the general public and a vehicle for coordination with other policies.

New indicators are needed to evaluate and monitor CP effectively. There is a need to define and measure results not only outputs. An example can be fair access to SGEI ensured as a result of the CP. Progress can be measured by the changes in percentage of population enjoying such access in a pre-defined (policy agreed) manner either in time or in a digital form for some types of territories. Another example of the changes in the monitoring system can be the formation of functional areas that can be measured by flow indicators with focus on the existence of public transport services. This would allow for avoiding situations when the output (e.g., a rehabilitated railway line) does exist but the actual result is negligible due to the lack of services.

Without implementing the proposed changes, achieving cohesion at the EU or Member State level while respecting the autonomy of local and regional communities in addressing local needs (where gross inequalities often occur), will not be possible.

### **Gradual and controlled experimentation**

The proposed approach involves numerous changes, but these should be introduced gradually to avoid jeopardizing the EU's entire cohesion architecture. The process should begin with strategic changes, such as advancing territorial dialogue, integrating cohesion into sectoral and horizontal policies, and monitoring the outcomes of these efforts (Sections: "Beyond CP"–"CP – Shift from spending to results").

Additionally, analysing new pro-cohesion indicators, such as a development assets index, is recommended. ESPON projects and the Cohesion Report should support this effort. Over time, the Cohesion Report's from being a diagnostic document can turn into one that identifies key future challenges for EU cohesion, including critical inequalities (as outlined in Section: "Accepting inequalities") that threaten the EU cohesion as a whole.

However, existing methods and indicators for allocating EU funds among Member

States should remain unchanged – allocation at the NUTS 2 level or other sub-national units (as in the case of the Just Transition Fund or cross-border programmes) should be determined with significant use of GDP per capita. Any change in the existing format would draw the full attention of political forums and decision-makers, distracting from strategic issues. CP should continue to focus on investing in lagging regions and initiating reforms across the EU to achieve cohesion as a Treaty objective.

To make sure that the CP will not become a “Christmas tree” overloaded with disparate objectives, it is advisable to adopt the principle of “new objectives, new funding sources.” CP should focus on pursuing territorial cohesion. However, CP should identify and, where necessary, address the spatial consequences of these new objectives (e.g., competitiveness, defence or green transformation) for territorial cohesion.

### **System for implementing territorial cohesion**

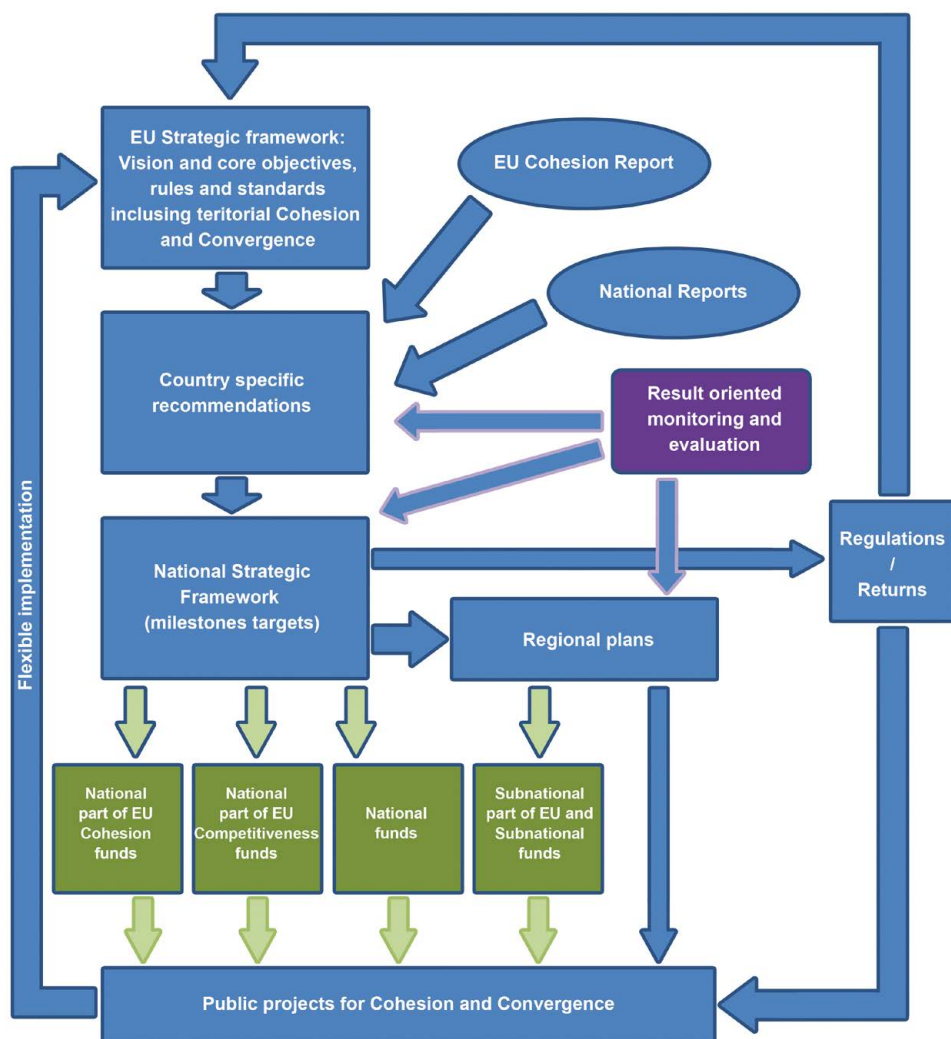
The system for implementing territorial cohesion in the new multiannual financial framework after 2027 is outlined in Figure 1. It combines an uniform axiological layer accepted at the EU level with the flexible mechanism of implementation fine-tuned to the needs and characteristics of different EU territories – one set of overarching objectives combined with spatially differentiated mechanisms for their practical implementation on the ground.

The reference point for enhancing cohesion should be the overall vision. The EU should set out an overall strategic framework defining both a vision and core objectives, including territorial cohesion and convergence. Such a framework should also contain territorial principles underpinning policymaking, such as a place-based approach or multi-level governance. The Cohesion Report can act as a fuel for initial discussion and debate on the most important disparities addressing of which is essential for improving the EU cohesion.

The country-level reports prepared as part of the European Semester should include a territorial review of the country’s territorial disparities with reference to the overall vision of EU territorial development, identifying investment needs, as well as reforms relevant to cohesion and convergence. They should identify specific territorial challenges (and where appropriate specific territories) and note where these should be taken care of by different EU policies and national sources. One of the focal points of these reports should be the EU concern to secure access to SGEI of the EU citizens. They might also precise how different territories might contribute to the overall EU goals, such as competitiveness or sustainability (for more details – MDFRP, EPRC 2024). To sum up, country reports in the new version are to reflect the idea of integrated development in both sectoral and vertical terms. They should strengthen the territorial dimension, including the integration of development policy and spatial policy.

Member States and, where relevant, regional authorities, need to be involved in the identification of investment priorities and reforms, as well as negotiations of relevant country-specific recommendations (CSRs). This is an important partnership exercise, not just a MS ‘fact checking’, ensuring context-specific CSRs aligned with Medium-Term Fiscal Structural Plans and taking account of institutional capacity to deliver priorities. This implies a much more interactive and partnership-based European Semester process than has been the case to date. CSRs should be a basis for identifying key reforms and investments accompanied by a limited number of strategic milestones/targets.

Strategic planning document for the next EU multiannual financial framework should be composed of national strategic frameworks or agreements for Cohesion, drafted by the Member States for a seven-year period in partnership with regions (including functional ones). Their purpose is to translate the EU strategic goals and CSRs into dedicated strategies at national levels in partnership with sub-national stakeholders. As such, they



**Figure 1.** The proposed design of the CP beyond 2027

would resemble former National Development Plans. The national strategic framework should contain:

- a. more detailed analysis of the issues identified in Country Reports in various geographical scales (and covered in Member State sources) of regional development opportunities and needs. This should be both retrospective (trends in disparities) as well as prospective (future challenges in relation to competitiveness, climate

- change, demography combined with identification of regional vulnerabilities);
- b. consensus on acceptable inequality levels for various areas;
- c. results to be delivered in a given multiannual financial framework;
- d. role and function of EU and domestic policies in addressing the development needs and opportunities set out in the Country Report;

- e. list of key reforms with an impact on cohesion to be implemented at national and regional levels;
- f. the framework for territorial action, promoting transformation and capacity development of areas in need (lagging behind, underperforming or having other specific needs);
- g. provisions for deployment of shared management of funds with regard to EU and national resources;
- h. explicit vertical linkages to EU strategic priorities/goals; and
- i. where relevant, a limited number of milestones and targets, for monitoring the overall performance when putting national frameworks in place.

A more detailed operational set of 'intermediate' milestones and targets will need to be agreed between the Commission, the Member State, and regions flexible enough to embrace adaptation to the changing circumstances.

The frameworks would serve as a primary coordination mechanism for structural policies between the Commission and the Member State including cohesion and territorial development issues. This underlines the critical role of the EU Commission, on the one hand, and the involvement of relevant sub-national authorities, on the other, to ensure effective shared management.

In drawing up national strategic frameworks, Member States should be encouraged to make wider use of Territorial Impact Assessment (ex-ante) done in co-operation with various development actors and make provision for the monitoring and evaluation of the territorial effects of interventions.

The analysis and assessment of policy priorities should be updated in advance of the mid-point of the implementation period as a basis for the adaptation of frameworks, and revisions of milestones and targets.

National frameworks should be programmed taking account of the territorial organisation of the respective Member State and their territorially differentiated socioeconomic challenges. Where regions or other

territorial entities have a strategic responsibility for growth and cohesion, each region should have the possibility to prepare – at regional or functional level(s) a regional plan implemented through EU territorial instruments, regional financial instruments or another territorial mechanism designed at the regional or Member State level. The regional plans would set out the strategy and operational arrangements that would contribute to the achievement of strategic goals (milestones and targets) set out in the national strategic framework. The Member State would be responsible for assessing (non)compliance and reimbursing funds. At the project level, simplified cost options or financing not linked to costs would be applied where possible.

A strategic framework of EU priorities needs to be balanced by the involvement of regional and local authorities in designing growth and cohesion strategies and delivering EU funding in ways that take account of the distinctive development opportunities and needs of places (partnership). This is essential for the model of European integration to be seen as democratic and accountable, for people and communities to be more involved in EU policies, and to ensure that the EU funding is 'visible'.

The approach taken to multi-level governance and the allocations to regions are the responsibility of each Member State. However, Member States should be encouraged to share the responsibility for the achievement of results agreed with the European Commission. This translates into regional and specific territory focused programmes managed by regional authorities or other relevant regional level institutions. These programmes should be equipped with at least 25-35% of cohesion/growth funding available at the Member State level.

## Conclusions

Drawing from the above discussions, this section provides a synthesis of the challenges, which give rise to fundamental assumptions

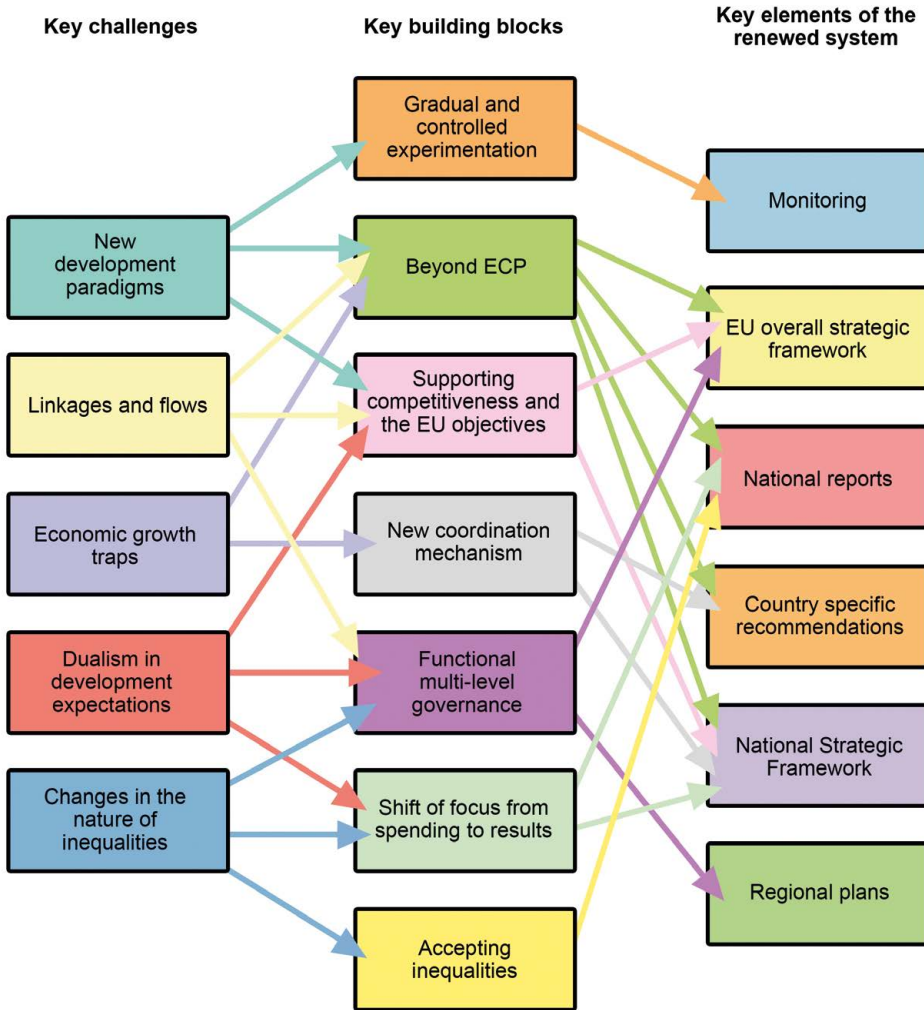
(key building blocks), and which, in turn, underpin the key elements of the system designed to address these challenges (see Fig. 2). The conclusions also take into consideration the exchange of opinion between scientists, officials and representatives of financial institutions initiated by the Polish Presidency of EU in order to secure better implementation of territorial cohesion as a Treaty objective. The outcomes of these discussion forums are summarised in two available online documents: TESSA Memorandum (Churski et al. 2024b) and the reflection paper by MDFRP and EPRC (2024). Given that competitiveness (potentially incorporating significant elements of sustainability) is one of the primary objectives in the new Multiannual Financial Framework of the European Union beyond 2027, this article proposes a novel approach to the CP. The policy should be seen more as an platform integrating EU and national and regional/local policies (and their financial allocations), reforms, and other development initiatives in order to pursue territorial cohesion. Compared to the currently applicable framework (CP as an EU investment policy), this proposed approach offers several advantages:

1. enhanced focus on addressing territorial cohesion, leading to more precise and effective CP;
2. resolution of strategic issues at the European level, ensuring the necessary standardization and uniformity of the strategic directions;
3. greater flexibility in the selection of implementation methods and measures, allowing for more adaptive policy execution and engagement of broader spectrum of stakeholders in pursuing EU cohesion in line with a place-based approach;
4. improved alignment with the diverse territorial needs of EU communities, ensuring a more tailored and responsive approach; and, therefore
5. enhancement of EU's competitiveness, reinforcing its economic and social cohesion across regions (in line with predictions of several economic models such as New Growth Theory (NGT), the New

Economic Geography (NEG), the New-New Economic Geography (NNEG), and the theory of institutional determinants of growth see e.g. Romer, 1990; Barro & Sala-i-Martin, 2004; Fujita et al., 2000; Baldwin & Martin, 2004; Rodrik et al., 2004; Acemoglu & Robinson, 2012)

The most important lessons are the following:

- **Territorial cohesion** is a cornerstone of EU integration, rooted in democratic values, it contributes to enhancing competitiveness, resilience, spatial justice, and the efficiency of public administration.
- The **CP** should remain a pivotal investment policy aimed at fostering territorial cohesion. But it must also act as a comprehensive and integrated policy framework operating across multiple territorial levels, designed to unlock and maximize the development potential of all EU regions and to mitigate unacceptable disparities.
- Particular emphasis should be placed on underdeveloped, stagnant, and border areas. This policy should prioritize result-oriented practices, advocate for increased funding in the post-2027 framework, and focus on improving institutional quality.
- In other EU regions, territorial cohesion should be strengthened through the implementation of necessary reforms and effective coordination of sectoral and horizontal policies across various spatial scales. To achieve this, it is imperative to integrate territorial cohesion into the **European Semester, key document of the EU Council** and to enhance the capacity of the CP to align EU and national sectoral and horizontal policies with the specific cohesion needs of diverse territories, functional areas, and networks.
- Newly emerged EU objectives, such as those related to **defence, climate change, and migration**, should not be artificially incorporated into the cohesion discourse or compete for the same pool of funds designated for the CP. However, recognizing and addressing the spatial



**Figure 2.** Framework of the renewed CP

implications of these objectives should be regarded as an integral aspect of advancing territorial cohesion as a Treaty-mandated objective.

The key milestones that must be implemented as cornerstones for a territorially sensitive EU policy framework Post-2007 are as follows:

### 1. Sustaining the Territorial Dimension:

Identifying a suitable approach for maintaining the territorial dimension and the Treaty-based cohesion objectives, while reorienting EU policies towards competitiveness.

### 2. Ensuring Access to Public Services and Goods:

Guaranteeing an adequate level of support to ensure the provision of essential public services and goods, thereby enabling individuals the freedom to reside wherever they choose.

### 3. Mechanism for Investment and Reform Coordination:

Establishing a mechanism to identify the appropriate mix of investments and reforms at national and subnational levels, which would not only support the achievement of EU goals but also be aligned with a territorial strategy tailored



to the specific needs and potential of each area, while respecting the legal competencies of national and subnational authorities and institutions.

**4. Measuring Policy Results:** Agreeing on methods for measuring the effectiveness and efficiency of policies, ensuring that these metrics also serve as reference points for EU payments, to assess the outcomes of actions taken at both national and subnational levels to meet EU objectives.

**5. Flexibility in Policymaking:** Incorporating sufficient flexibility into the policymaking system to account for specific social, economic, and institutional differences (e.g., cultural and administrative capacities) across countries and territories, thus maximizing the benefits of diversity and a place-based paradigm.

**6. Balance Between EU and National Authorities:** Ensuring an equitable balance of power between the European Commission and national authorities in the definition and implementation of EU policies.

**7. Alignment of National Strategic Documents:** Ensuring that national strategic documents and plans for implementation of EU policies (likely focused on competitiveness), accurately reflect various thematic areas of intervention and address territorially differentiated subnational contexts.

**8. Ensuring the Spatial Dimension is taken into account in EU-wide instruments such as the Commission-proposed Competitiveness Fund and also as an important reference point in realising single national plans (National Strategic Frameworks)** so that the mechanism prioritising certain places, local areas or sub-regions consistently is safeguarded.

**9. Defining the Role of Regional Programmes and Territorial Instruments:** Identifying the role of regional programs managed by regional authorities and the function of territorial instruments being part of them, as well as targeting sub-regional areas in achieving goals set at the European and national levels.

**10 Involvement of Subregional Stakeholders:** Ensuring the active participation of subregional (functional areas related) organisations and authorities, along with other relevant stakeholders, in the design and implementation of national and other plans and programmes agreed upon with the European Commission.

Editors' note:

Unless otherwise stated, the sources of tables and figures are the authors', on the basis of their own research.

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## Glossary of terms

- European Green Deal (EGD) – a EU strategy (set of policy undertakings) transforming the EU into a modern, resource-efficient and competitive economy. It sets out a plan to transform Europe's economy, energy, transport, and industries for a more sustainable future i.e. to make EU climate neutral (European Commission 2025). It was approved in 2020, by the European Commission.
- EU Cohesion Policy (CP) as investment oriented policy – CP as a source of significant funding for public investment in economic development (Bachtler & Mendez, 2020).
- EU Cohesion Policy as redistribution policy – CP compensating the least-favoured regions for their backwardness by financial transfers paid by the more affluent ones without strict controlling the growth effects of these transfers. CP in such a case “is a means of financial redistribution among Member States and Regions” (Barca, 2009: XIII) whereas “the redistribution of resources among places is not a sufficient condition for pursuing either the efficiency or the equity objectives set out in the Treaty when calling for a reduction of disparities.” (Barca, 2009: XIII).
- EU Cohesion Policy integrated approach – an approach that combines multiple, overlapping policies and funding sources to address specific, local territorial development challenges and needs in a coordinated (between various stakeholders) and comprehensive manner. Integration can be achieved in various ways, i.e., coherence in terms of objectives of various policies, coordinated delivery in terms of programmes combining various funding sources, aligning policies in different spatial scales. Integrated approach is promoted under PO 5. PO 5 entails a specific method for integrated territorial development, that requires place-based and integrated strategies, local empowerment and partnership.
- EU Cohesion Policy implementation system – the multi-layered structure of bodies, strategies, and processes at EU, national, and regional levels that pursue economic, social and territorial cohesion. The cohesion policy framework is established for a period of 7 years.
- Functional area – “a territorial unit that results from the structure of social and economic relations between residents across space. Its boundaries do not necessarily reflect administrative geographies or historical events. Consequently, a functional region offers an alternative subdivision of territories. The foundation for economic and social relations ensures that functional areas capture human behaviour and thereby typically offer a better reflection of individuals' daily lives” (OECD, 2020: 9)
- NUTS 2 and 3 – Nomenclature of territorial units for statistics. This is a classification developed by EU basically for statistical purposes. NUTS divides each EU country into 3 levels: (i) NUTS 1: major socio-economic regions, (ii) NUTS 2: basic regions (for regional policies), (iii) NUTS 3: small regions (for specific diagnoses)” (EUROSTAT, 2025). Place-based – “Place-based policymaking is a bottom-up approach that deepens the understanding of place-specific constraints and opportunities by focusing on collaborative efforts to positively impact each region (Barca et al., 2012).” (cited after European Commission, 2023: 3). Place-based policies are considered by some scholars as the best way to tackle the “persistent underutilization of potential and reducing persistent social exclusion” (Barca, 2009: VII).
- PO 5 – This is one of the five priorities of the CP supporting growth for the period 2021-2027. In full it reads: *a Europe closer to citizens by fostering the sustainable and integrated development of all types of territories*. “PO 5 has two specific objectives. The first objective addresses sustainable and integrated development in urban and functional urban areas. The second refers to strategies that focus on sustainable and integrated development of non-urban areas, taking also into account rural-urban linkage.” (Portico, 2025). Poverty of territorialism – The concept coined by Faludi (2018). “Territorialism implies control of people and resources



by controlling area, [...]. It assumes a seamless cover of [...] territories, each with a definitely owner." (Faludi, 2016: 74). Poverty is related to the weaknesses of this concept that do not allow to treat "spaces as constructed and reconstructed by actors ad-hoc, with outcomes depending on who is involved." (Faludi, 2016: 77). Poverty trap – "self-reinforcing mechanisms whereby poor individuals or countries remain poor." (Kraay & Mc Kenzie, 2014: 2).

- Regional resilience – a capacity of a region to absorb disturbance and maintain its function or structure, with the ability to adapt and transform in the face of change. Davoudi et al. (2012) distinguish between "engineering resilience" (bouncing back to a previous state) and "evolutionary resilience" (adapting and transforming to a new state). Peng et al. (2017: 89) identifies three regional characteristics important for fostering resilience: stability (ability to anticipate), self-recovery ability (ability to deliver adequate response), and innovation (restoring original status or entering a new one).
- Resource efficiency – "using the planet's limited resources in a sustainable manner and seeking to minimise impacts on the environment." (European Network for Rural Development, 2018: 2).
- SGEI – "Services of General Economic Interest: services the state wants to provide for the general public which are not adequately supplied by market forces alone. [...] SGEIs are carried out in the public interest [...]. Examples of SGEIs include: transport networks, postal services, social services." (Department for the Economy, 2025). Territorial Cohesion – "ensuring the harmonious development of all [...] places and about making sure that their citizens are able to make the most of inherent features of these territories. As such, it is a means of transforming diversity into an asset that contributes to sustainable development of the entire EU." (European Commission, 2008: 3). Bradley and Zaucha (2017: 47) distilled the following three components of territorial cohesion: contribution of territorial capital to growth, policy territorialisation (their adaptation to the specificities of different areas), and enhancement of spatial development (key spatial goals such as spatial order, connectivity, polycentrism).
- Territorial output – all goods and services and intangible benefits provided by a given region/area as a result of the use of its territorial potentials available for its inhabitants. This is an outcome of the use of natural resources, labour, human, physical and social capital, availability of local public goods such as SGEI but is also conditioned by agglomeration externalities and relations (exchange) with other territories (for detail see Mogiła, 2007).
- Territorial/spatial justice – "the fair and equitable distribution in space of socially valued resources and opportunities to use them" (Soja, 2009).