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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	Conclusions on the Communication on the 9th Cohesion Report – <i>Approval</i>

1. On 27 March 2024, the General Secretariat of the Council received the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the 9th Cohesion Report¹.
2. Draft Presidency conclusions were examined at the meetings of the Working Party on Structural Measures and Outermost Regions of 25 April, 16 and 23 May 2024. Delegations agreed to the draft Council conclusions as set out in the Annex to this note.
3. The Permanent Representatives Committee is asked to advise the Council to approve these Council conclusions as set out in Annex to this note.

¹ Doc. 8369/24.

DRAFT**Council Conclusions on the Communication on the 9th Cohesion Report****THE COUNCIL OF THE EUROPEAN UNION**

- (1) WELCOMES the 9th Cohesion Report as a valuable stocktaking of the role of cohesion policy as an economic stabiliser contributing to upward convergence and European integration, notably during the thirty years of the European Single Market and twenty years after the 2004 enlargement, as well as the Report's analysis of the contribution of cohesion policy to the economic, social and territorial cohesion of the European Union, on the basis of the most up-to-date data available;
- (2) ACKNOWLEDGES that the Report comes at a strategic time, contributing to the reflection on how the design and implementation of cohesion policy could be further reinforced and improved;
- (3) RECALLS that cohesion policy is the main EU instrument for long-term and regional investment and a driver for structural transformation, enabling the development and the deployment of tailored solutions at the closest level possible to citizens and businesses;
- (4) UNDERLINES that cohesion policy is a central part of the European project contributing to reducing disparities between the various regions in terms of development and responding to their challenges, with the general objective of promoting the Union's overall harmonious development;

Cohesion policy is delivering...

- (5) TAKES NOTE of the findings in the 9th Cohesion Report regarding the following long-term trends observed over the last decades, when, thanks to cohesion policy support, many parts of the EU have experienced a remarkable upward economic and social convergence:

- Cohesion policy strengthens the Single Market and levels the playing field, and has played an important role in the integration of new Member States in the Single Market allowing all regions to benefit from it;
- The average GDP per capita has substantially increased in the Member States that joined the EU in 2004 and afterwards, driven by an increase in productivity in less developed regions;
- The policy plays a key role in supporting public investment and leveraging private investment, and generates additional value and jobs creation, contributing to the EU competitiveness and productivity growth;
- Connectivity has increased, innovation and entrepreneurship have improved, and human capital has been reinforced through a general increase in educational attainment and a strong increase in adult participation in education and training;
- With the active support of cohesion policy, disparities in employment and poverty rates between regions have narrowed, employment and social indicators have overall improved and unemployment rates have converged;
- Cohesion policy has also contributed to improving administrative capacity and good governance in Member States, through support to a wide range of competences and administrative efficiency;
- Thanks to a swift mobilisation of its resources, cohesion policy has played an important role in mitigating the asymmetric impacts of recent crises and paved the way for a robust and fast recovery, especially in vulnerable regions;

... but structural and emerging challenges risk widening disparities

- (6) RECALLS the current and emerging challenges that include the green and digital transition, climate change and its negative consequences, migration, increased global competition and the need for EU competitiveness, connectivity, strategic autonomy while preserving an open economy, as well as the geopolitical instability at the external borders of the EU, with special attention to the Member States and regions that are most affected by Russia's war of aggression against Ukraine, especially regions bordering Russia and Belarus and those bordering Ukraine;
- (7) IS CONCERNED about demographic challenges that further increase pressure on public budgets, exacerbate skills and labour shortages, as well as labour market challenges such as youth unemployment, and the risk of a talent development trap; RECOGNISES that these challenges more severely affect rural areas, remote regions and regions exposed to severe and permanent natural handicaps, which suffer from depopulation and brain drain, as well as urban regions due to the concentration of activity and population in large urban areas; in this context, HIGHLIGHTS also the importance of a polycentric development model, building on urban-rural linkages;
- (8) NOTES that large socio-economic disparities still remain, and that structural and emerging challenges affect or risk affecting a growing number of regions and IS CONCERNED that convergence has been uneven across the EU, notably within Member States and regions, and that structural challenges together with the asymmetric impact of economic shocks, Russia's war of aggression against Ukraine and crises lead many regions to a gradual divergence, economic stagnation, decline, development traps or the risk of poverty and social exclusion for their citizens;
- (9) NOTES as well that any future enlargements will also have implications for cohesion policy;
- (10) EMPHASISES that these challenges and concerns need to be addressed in an inclusive and fair way, ensuring that no one is left behind; SHARES the Commission's conclusion that, if left unaddressed, structural and emerging challenges could widen economic, social and territorial disparities;

Cohesion policy as an evolving policy, learning from its own experiences and those of other instruments

- (11) INVITES the Commission to consider appropriate ways for the post-2027 cohesion policy to provide tailored support for regions to successfully manage those challenges, with special focus on the green, digital, industrial and demographic ones and the different levels of socio-economic development, taking into account the experience of the current period;
- (12) UNDERLINES that cohesion policy is one of the most important tools in fostering development in all European regions, especially in regions that face persisting structural challenges including less developed regions, as well as a major EU investment policy, which should continue supporting investments necessary for convergence and to address development traps and create growth opportunities for regions and their citizens;
- (13) REAFFIRMS that cohesion policy, as a place-based policy underpinned by shared management, must be tailored to the needs, specific challenges and vulnerabilities of regions while strengthening participation and territorial instruments, and enabling them to carry out the most relevant investments and reforms at the most appropriate level; ACKNOWLEDGES the increased role of cohesion policy in contributing to the European Semester;
- (14) RECALLS the fundamental principles of Article 174 of the TFEU, which promotes the harmonious development of EU regions and pays particular attention to specific areas;
- (15) RECALLS the structural social and economic situation of outermost regions, as recognised by Article 349 of the TFEU, and that cohesion policy must respond to their development challenges and support their regional integration;
- (16) RECALLS the need to better integrate a territorial dimension in EU policies to reinforce the coherence of the EU's actions; CALLS FOR a general awareness of strengthening cohesion in Union policies and initiatives, and STRESSES the need for complementarities and synergies between cohesion policy and other relevant policies and initiatives, including at national and regional levels, from their design phase;

- (17) EMPHASISES the importance of pursuing simplification of cohesion policy for beneficiaries and programme authorities (notably by building on the existing simplification measures including financing not linked to costs and simplified cost options), and allowing the realities of the different EU regions and Member States to be taken into consideration at the design and implementation stages when identifying such simplification measures, to increase the effectiveness and targeted nature of cohesion policy;
- (18) RECALLS the need for harmonisation and proportionality of the controls and audits, while maintaining high standards for the prevention of and the fight against fraud and corruption at all levels; RECALLS, as well, the need to strengthen the application of the principle of single audit;
- (19) STRESSES the importance of the protection of the financial interest of the Union, considering the Regulation on a general regime of conditionality for the protection of the Union budget;
- (20) RECOGNISES the importance of good governance and capacity building to better address the administrative needs at Member State, regional and local level; EMPHASISES that good governance, strong institutions, respect for the rule of law and strong administrative capacity are important for an effective and efficient design and implementation of cohesion policy;
- (21) STRESSES the role of cohesion policy to further strengthen the Single Market by reducing imbalances between regions, fostering growth and promoting innovation;
- (22) RECOGNISES the contribution of Interreg to achieve a more balanced territorial development through better cooperation across regions and the need for enhanced cooperation across borders, especially along interregional value chains and transnational sustainable infrastructure in order to handle transition;
- (23) UNDERLINES the opportunity to reflect on how to make cohesion policy more performance-based with a view to enhancing efficiency building on its own experiences as well as lessons learned from other EU instruments; STRESSES the need to make decisions based on robust policy evaluations, and taking into account their operational implications in particular for audit and control systems;

(24) ASKS the Commission to develop proposals aimed at adapting cohesion policy in line with its role as the long term framework for regional development, underpinning the EU growth model, building on its distinctive strengths – shared management, multi-level governance, place-based approach and partnership principle – while bearing in mind that regions have different starting points, needs and capacities, and should take different development paths to ongoing and future transformations; LOOKS FORWARD to receiving the proposals for the next legislative package no later than July 2025, following the MFF proposal in line with the deadline set in the MFF regulation.
