



**European Committee
of the Regions**

COTER-VII/009

140th plenary session, 12-14 October 2020

OPINION

The role of the EU's cohesion policy with respect to intelligent and innovative economic change in the regions against the backdrop of the coronavirus crisis

THE EUROPEAN COMMITTEE OF THE REGIONS

- underlines that cohesion policy is the EU's largest funding mechanism for investment in all regions with an increased emphasis on innovation as a driver of growth. Its implementation encourages more efficient spending of public funds through improved administrative and institutional capacity;
- strongly recommends that the temporary nature of some of the proposed reinforcements of cohesion policy as a reaction to the ongoing pandemic should not undermine cohesion policy as a system of shared management based on agreed principles. Flexibility is needed in times of crisis, but too much flexibility can threaten the existence of cohesion policy in the longer term;
- calls on the Commission to ensure that recent measures to increase flexibility and to further simplify cohesion policy at EU level do not lead to centralisation and gold-plating and an added administrative burden at national level, brought about by risk avoidance and a risk-regulation reflex by Member States;
- agrees with the Presidency that a competitive European industrial sector and vibrant small and medium-sized enterprises are essential for mastering the digital and environmental transformation;
- asks the Commission to consider the integration of regional smart specialisation strategies that contribute to a green, digital and resilient Europe as an enabling condition for effective (national) recovery investment plans;
- asks the Commission to further promote regional ecosystems and clusters in the framework of Interregional Innovation Investments. The combination of technological, industrial and social infrastructure in different regions according to their strengths and skills helps to generate critical mass and economies of scale and thus has the potential to increase the efficiency of research and innovation systems;
- proposes initiating an ongoing political dialogue between all levels of government on the synergies of the different COVID-19 measures with cohesion policy instruments as part of the Trio Programme of Germany, Portugal and Slovenia.

Rapporteur

Michiel Rijsberman (NL/RE)
Regional Minister of the Province of Flevoland

Reference document

Not applicable

**Opinion of the European Committee of the Regions –
The role of the EU's cohesion policy with respect to intelligent and innovative economic change
in the regions against the backdrop of the coronavirus crisis**

POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

Introduction

1. appreciates the German presidency invitation for the CoR to express an opinion on the role of cohesion policy with respect to intelligent and innovative economic change in the regions against the backdrop of the coronavirus crisis;
2. takes note of the German presidency priority for a stronger and more innovative Europe and its assertion that the EU Structural Funds are important elements for cushioning the economic and social repercussions of the COVID-19 pandemic and for stimulating economic recovery in the regions;

The fundamental role of regions in fighting the post-pandemic economic crisis

3. notes that following the outbreak of coronavirus, all European regions have adopted broad preventive and economic response measures. These actions were primarily addressed to health, social services, public transport, educational systems and working capital for SMEs. But moving towards longer-term policies, the importance of broad innovation and application of innovations increases. Innovative concepts are needed for a transition to a more sustainable, digital and resilient Europe and these are all elements where cohesion policy can play its part;
4. stresses that the regions have important competences in the area of economic policy and business support, including support for innovation and applied research. Regions can contribute to economic change, with their role in promoting R&D, key technologies, harnessing of networks and clusters, support for changes in business model or even upscaling of new technologies. Also, as a "launching customer", cities and regions can accelerate a sustainable transition, exchanging experiences among each other;
5. recommends that, as far as possible, ordinary structures and organisations should be used to address the impact of COVID-19 on business and employment. The regions have a key role to play in conveying information about regional and sub-regional disparities and how needs are affected by those disparities. This information may be crucial for both national support packages and EU initiatives aimed at the business community in different regions;
6. reiterates that local and regional authorities are best placed to assess the investment needs at a territorial level and should be fully associated with decisions on [re]programming investment under REACT-EU, the implementation of the Recovery and Resilience Facility and the implementation of the European SME and Industrial strategies;

7. calls for the central role of the regions in this work to be strengthened. Given the effects of the crisis, this may include boosting regions' capacity to coordinate, initiate and implement extraordinary measures in the short and medium term to make a sustainable fresh start in the Member States, based on needs and circumstances in each region. Using analysis, monitoring and evaluation, regions can make informed decisions on development activities that can contribute to a sustainable fresh start. One key task for regions should be to gather important regional information and pass it on to the national level;
8. foresees that cooperation within regional partnerships under the smart specialisation platform will play an important role in the economic recovery. Interregional cooperation in research and innovation is going to be a key element for recovery as well as for a green and digital transition which leaves no places and people behind;
9. is concerned about the loss of capacity for intelligent and innovative economic change at a regional level post-COVID-19 not only due to loss of resources in the aftermath of the COVID-19 crisis but also as a consequence of a ten-year period of austerity. To reverse this, more resources need to be transferred to the local and regional level. At the same time, regional efficiency will need to be enhanced, requiring regions to innovate at all levels and be open to learning and sharing knowledge;
10. welcomes the European financial support (from REACT-EU) for cities and regions to help the sectors which have suffered the most under COVID-19 to move towards sustainable business models in both the short term and the medium term;
11. acknowledges that the decline in some sectors and changing working behaviour may necessitate revision and adaptation of urban spatial plans, to reflect the reduced need for city centre office space and shops, in conjunction with a re-organisation of public transport (mode, frequency and funding). In cities this will mean an increased emphasis on walking and cycling. Welcomes in this respect, the increasing ambition in many cities to considerably reduce car traffic by adjusting traffic rules and road design in favour of pedestrians and cyclists;
12. highlights the need to give greater prominence to the European Social Fund as a key tool for social investment. People are at the heart of any investment policy and are a crucial aspect of economic recovery;

Cohesion policy as a pivotal tool for intelligent and innovative economic change in regions

13. underlines that cohesion policy is the EU's largest funding mechanism for investment in all regions with an increased emphasis on innovation as a driver of growth. Its implementation encourages more efficient spending of public funds through improved administrative and institutional capacity,
14. appreciates that the European institutions promptly reacted to the emergency and presented an unprecedented amount of resources to tackle the COVID-19 pandemic, combining cohesion-funded measures in the classical Multiannual Financial Framework (MFF) to offer a long-term

perspective, and a specific recovery effort under Next Generation EU (NGEU) to address short term effects of the crisis;

15. strongly recommends that the temporary nature of some of the proposed reinforcements of cohesion policy, particularly on the missing thematic concentration, should not undermine goals of cohesion policy and its system of shared management based on agreed principles. Flexibility is needed in times of crisis, but too much flexibility can threaten the existence of cohesion policy in the longer term;
16. appreciates that overall cuts to cohesion policy were avoided, because it is Europe's main financial instrument to recover from the economic crisis. However, finds it unacceptable that the long-term EU budget is cut to record low ceilings with an overall amount proposed for commitments of EUR 1 074.3 billion;
17. underlines that the Structural Funds will become even more important for future investments for a socially-just, greener, more competitive, digital and inclusive Union, given the cuts to other EU programmes, such as Horizon, InvestEU, LIFE and Erasmus+;
18. is pleased to see that REACT-EU combines two targets in a new thematic objective; crisis recovery on the one hand and the preparation for a green, digital and resilient economy on the other hand. In this way, REACT-EU has added value to act as a transitional arrangement between programming periods. It can also speed up much needed public investments for the green and digital transition;
19. recommends, therefore, a minimum thematic concentration for REACT-EU objectives for a green, digital and resilient economy, to ensure that not all funds are spent on crisis repair only and spendings are still in line with the overall EU's goal to achieve climate neutrality by 2050. This will also help speed up transition from emergency response to new programming period investments. It is important to make sure that investments are well founded in this European strategy to avoid "throwing money at the economy" without a clear purpose;
20. underlines the role of the ESIF for the economic transformation of regions that want to lower emissions and go digital, or the so-called fourth industrial revolution. The European Regional Development Fund is a catalyst for stimulating intelligent and innovative economic change, because of its thematic concentration on the policy objectives of "a smarter and greener Europe" and the types of investment it supports;
21. notes that cohesion policy plays a crucial role in addressing the growing digital divide. The accelerated use of digitalisation as seen during lockdowns is likely to stay and will further contribute to social innovation. More emphasis will be needed on developing digital skills which should be an integral part of a resilience strategy and on adapting education systems and equipping schools with digital technology;
22. reiterates the fundamental aim of cohesion policy, which is to strengthen economic, social and territorial cohesion between regions within the European Union and pay particular attention to regions that require special attention because of severe, structural, natural and demographic

handicaps. These regions face greater difficulties in providing their inhabitants with access to services that have proved vital during the pandemic, such as health services and digital infrastructure, and which will be key to achieving Europe's priorities for the climate, digital development and growth;

23. acknowledges that cohesion policy will play an increasingly important role in supporting the ongoing economic reform process by Member States by strengthening the link to the European semester. Stresses in this respect the urgency for a deep reform of the European Semester and the EU's economic governance towards a transparent, inclusive and democratic process. If the European Semester remains unreformed, cohesion policy is at risk of becoming more and more centralised, a top-down approach of the recovery plans and the return to policies which take no account of economic, social and territorial cohesion among and within Member States and hamper the urgently needed public investment for the EU's sustainable recovery. The Commission should therefore ensure that regions are involved by Member States during the entire national semester process and make sure that the financing of country-specific recommendations with cohesion policy funding has a clear place-based dimension;
24. calls on all European leaders for a timely start to 2021-2027 cohesion policy programmes to avoid a funding gap between the two programming periods;

The crucial role of SMEs and industries for Europe's innovative economic recovery

25. agrees with the presidency that a competitive European industrial sector and vibrant small and medium-sized enterprises are essential for mastering the digital and environmental transformation. The European industrial and SME strategies should therefore be rooted in a place-based approach and promote cooperation in innovative key technologies across European regions to enhance Europe's competitive advantage;
26. supports, to this end, the development of recommendations for suitable framework conditions and the broad implementation of forward-looking innovations, as well as measures relating to financing, a substantial reduction in red tape, and SME-friendly regulations and innovative cross-border approaches to strengthening entrepreneurship, the digital transformation and innovation;-
27. points out that access to finance and liquidity support for SMEs via EU grants and schemes and national measures is necessary to allow companies to bridge liquidity gaps caused by the crisis. Emergency measures should be complemented with instruments that allow the financing of investments and innovation, notably in digital technologies;
28. maintains that counselling aids must be expanded (especially for the self-employed and the unemployed) and the reaction time to SMEs' changing demands quickened. Public authorities should take a bottom-up, needs-based approach. Upskilling programmes in digital technologies and digital literacy should be prioritised;

Just Transition Fund

29. rejects the obligatory use of the ERDF as JTF co-funding because it can threaten cohesion policy objectives, including the thematic concentration spending for innovations (under PO 1). As the JTF is geographically targeted, co-financing with the ERDF should be optional;
30. reiterates that any transfer of regional funds, JTF co-financing included, by a Member State should be decided with the consent of the local and regional partners involved, in line with the principles of partnership and multilevel government;

Short term strategies must have a stronger regional dimension, true simplification and accessible synergies with long-term policies

31. welcomes the Commission's swift action to put in place essential investments under the CRII packages. The reduced administrative burden and flexibility offered by these packages, contribute to the absorption of regional funds for the period 2014-2020 where it is needed;
32. calls on the Commission to ensure that recent measures to increase flexibility and to further simplify cohesion policy at EU level do not lead to centralisation and gold-plating and an added administrative burden at national level, brought about by risk avoidance and a risk-regulation reflex by Member States;
33. calls for further clarity about the interplay between the different new mechanisms, such as REACT-EU, the Just Transition Fund, and the Recovery and Resilience Facility, to avoid additional complexity and stricter national regulations being added by the Member States;
34. asks the Commission to make sure that a shift of power away from regions is avoided. The proposed Recovery and Resilience Facility should be channelled through a bottom-up approach, by adding regional allocation criteria to REACT-EU and the Recovery and Resilience Facility, and by a stronger involvement of local and regional authorities in the governance of instruments, in particular in the preparation of national recovery investment plans. The delivery of the Recovery and Resilience Facility through centralised programmes bears the risk of lacking legitimacy and efficiency because they are adopted without any partnership requirements and therefore might not take into account the real recovery needs from a territorial perspective;

Speeding up recovery and smooth transition

35. welcomes the Council invitation to the Commission to provide proposals, before the October European Council, on how to accelerate and facilitate procedures in Member States for swift deployment of recovery support. It is important to create the right conditions for rapid implementation of investment projects, particularly in infrastructure;
36. agrees with provisions that allow for rapid reimbursement and simplified access to the additional resources, notably the final date of eligibility and the proposed timeframe of two years, 2021 and 2022 to spend 70% of the grants, however stresses the importance of retaining

the possibility to allow the Member States to also use the additional resources in 2023 and 2024, beyond the European Commission 2022 deadline;

37. urges Member States to follow the Commission proposal to make use of existing management structures in order to speed up implementation and guarantee the involvement of local and regional authorities according to the partnership principle;
38. urges the Council to take a decision on the final allocation of REACT-EU as soon as possible to encourage rapid implementation of crucial investment for cities and regions. Even a decision on 19 October would already be late for regions to prepare programmes;

General recommendations for cohesion policy in the 2021-2027 programming period

39. recommends that local and regional authorities clearly define medium- and long-term development strategies based both on predicted trends and challenges and on the specific features of their territories;
40. underlines that regional development and smart specialisation strategies are an important tool to ensure that individual sectoral tools have synergies and complement each other and that stakeholders are adequately involved, in line with the place-based approach to economic, social and territorial development;
41. points out that it is important for all levels of governance (EU, national, regional and local levels) to work together, and for the subnational levels to be given enough opportunities and funds to take responsibility for their own development potential;
42. asks the Commission to ensure that the key legal framework and principles of cohesion policy is respected, with elements such as thematic concentration, ex-ante conditionalities, multilevel governance, partnership, solidarity, the rule of law and a place-based dimension when going back to "normal". These principles have proven to be suited to rapidly and flexibly addressing challenges so no city or region is left behind;
43. stands firmly by the European Parliament's insistence on an EU mechanism to protect democracy, the rule of law and fundamental rights; calls for this mechanism to uphold all fundamental EU values, including the respect for human dignity and human rights, freedom and equality, in every Member State, region and municipality, and to guarantee that any sanction applies to the relevant level of governance;
44. recommends that smart specialisation strategies be broadened beyond R&I with a wider focus on economic, social, and environmental objectives and with increased attention on future resilience. PO1 (a smarter Europe) provides a basis for innovation investments that goes beyond economic transformation and serves broader economic, social, and environmental goals (e.g. the Green Deal);
45. considers, therefore, the lowering of the minimum spending for innovative and smart industrial transformation under ERDF Policy Objective 1 regrettable. The absence of a PO1 thematic

concentration for the most developed regions is worrying in this light, because innovation in these regions can drive the European economy;

46. supports the continuation of valorisation in the ERDF Operational Programmes 2021-2027 under PO1. It is still necessary to invest in the phases between applied research and bringing innovations to the market, both with financing in the form of capital as well as grants. The focus should be on the creation of new value chains;
47. regrets the Council's decision to scrap both a mid-term technical review of cohesion policy allocations in 2024 and the possible addition of another EUR 10 billion to the cohesion policy envelope, without any Member State losing parts of their allocations. This is deplorable because the review is envisaged to take account of the impact of the crisis; a significant number of regions will likely experience a sharp fall in GDP per capita and could thus be entitled to higher allocations under a mid-term review;
48. asks the EU to refrain from further measures, as proposed by the Council, to ensure the collection and comparability of information on the final beneficiaries of EU funding for the purposes of control and audit. Final beneficiaries should not be burdened with additional audits;

The added value of territorial cooperation, regional ecosystems, smart specialisation and innovative interregional investments in promoting economic recovery

49. highlights the importance of European territorial cooperation to help overcome the damaging effects of the crisis and to accelerate economic recovery and calls for funding to be allocated for cross-border cooperation projects;
50. regrets therefore, that the funding allocated to the ETC objective is reduced compared to the Commission's proposal from May 2018, not to mention 2014-2020 levels. Thus the budget proposed for ETC is ostensibly inadequate vis-à-vis the growing and multiple challenges facing cross-border areas in the light of the COVID-19 crisis. Likewise, it is regrettable that the Council's agreement envisages halving the budget for interregional innovative investments (also known as "component 5");
51. asks the Commission to further promote regional ecosystems and clusters in the framework of Interregional Innovation Investments. The combination of technological, industrial and social infrastructure in different regions according to their strengths and skills helps to generate critical mass and economies of scale and thus has the potential to increase the efficiency of research and innovation systems;
52. asks the Commission to consider the integration of regional smart specialisation strategies that contribute to a green, digital and resilient Europe as an enabling condition for effective (national) recovery investment plans;

53. proposes initiating an ongoing political dialogue between all levels of government on the synergies of the different COVID-19 measures with cohesion policy instruments as part of the Trio Programme of Germany, Portugal and Slovenia.

Brussels, 14 October 2020

The President
of the European Committee of the Regions

Apostolos Tzitzikostas

The Secretary-General
of the European Committee of the Regions

Petr Blížkovský

I. PROCEDURE

Title	The role of the EU's cohesion policy with respect to intelligent and innovative economic change in the regions against the backdrop of the coronavirus crisis
Reference(s)	n/a
Legal basis	Article 307 TFEU
Procedural basis	Referral from the German presidency, Rule 41 b)(i) RP
Date of Council/EP referral/Date of Commission letter	28 May 2020
Date of Bureau/President's decision	10 June 2020, President's decision
Commission responsible	Commission for Territorial Cohesion Policy and EU Budget (COTER)
Rapporteur	Rapporteur: Michiel Rijsberman (NL/RE) Regional Minister of the Province of Flevoland
Analysis	24 July 2020
Discussed in commission	24 September 2020
Date adopted by commission	25 September 2020
Result of the vote in commission (majority, unanimity)	unanimity
Date adopted in plenary	14 October 2020
Previous Committee opinions	ECON-VII/008 – Opinion on An SME Strategy for a sustainable and digital Europe ¹ ECON-VI/041 – Opinion on The socio-economic transformation of Europe's coal regions COTER-VI/052 – Opinion on Recommendations for the successful design of regional development strategies beyond 2020 ² COTER-VI/046 – Opinion on the ERDF-CF ³ COTER-VI/049 – Opinion on the ESF+ ⁴ ECON-VI/047 – Opinion on Improving administrative capacity of local and regional authorities to strengthen investments and structural reforms in 2021-2027 ⁵ COTER-VII/002 – Opinion on the Just Transition Fund ⁶ SEDEC-VI-032 – Opinion on Strengthening Innovation in Europe's Regions: Strategies for resilient, inclusive and sustainable growth ⁷

¹ Not yet published in the Official Journal

² [OJ C 39, 5.2.2020, p. 11–15](#)

³ [OJ C 86, 7.3.2019, p. 115–136](#)

⁴ [OJ C 86, 7.3.2019, p. 84–114](#)

⁵ [OJ C 79, 10.3.2020, p. 25–29](#)

⁶ [OJ C 324, 1.10.2020, p. 74–87](#)

⁷ [OJ C 361, 5.10.2018, p. 15–18](#)

Date of subsidiarity monitoring consultation	n/a
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