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Ireland’s position on the future of Cohesion Policy

1. Introduction

Ireland has concluded a national reflection process on the future of Cohesion Policy, which commenced in January 2024. The reflection process, or dialogue, was a nationwide consultative process, which consisted of an online public consultation and an in-person stakeholder event. Over the 12-month period, the Department of Public Expenditure, NDP Delivery and Reform (DPENDR) engaged over 90 stakeholders at national, regional and beneficiary levels. This reflection process provided DPENDR with a unique opportunity to engage with our key stakeholders, allowing us to build new relationships with those who are essential for the successful implementation of Cohesion Policy.

This paper builds on and complements Ireland's Report on the Future of Cohesion Policy and outlines Ireland's position. It seeks to inform, insofar as it relates to Cohesion Policy, the response to the current challenges facing the Union and is in anticipation of the post 2027 Cohesion Policy Legislative package and Multiannual Financial Framework (MFF) proposals later this year.

It focuses on strategic issues which have relevance to both the Union's response to the current geopolitical crisis and the longer-term future of Cohesion Policy, beginning with the extent to which Cohesion Policy should be flexible and how it should respond to emerging challenges and concluding with proposals for simplification. It does not address budgetary issues, neither the overall quantum, distribution nor sources of funding. It assumes that NextGenerationEU will not be repeated and that the MFF will be the single source of investment.

2. Cohesion Policy works but it must develop

The recently published 9th Cohesion Report has provided clear evidence of substantial regional convergence and Cohesion Policy's very positive role in this. This has been reinforced by the report of the Committee of the Regions, the Letta report on the future of the Single Market, the Draghi report and proposals on the future of Cohesion Policy made by other member states.

These reports and proposals identify and acknowledge the challenges still being faced and emphasise the need for action to address those challenges, which include uneven levels of development, divergence within Member States even as convergence between Member States has improved, the challenges posed by the climate and digital transitions, demographic change and varying levels of administrative and institutional capacity.

The 9th Cohesion Report, along with the report from the High Level Group in particular, highlighted the important role Cohesion policy has played in the increase in regional convergence over the past decade. During that time, Ireland has been able to further build and develop on the progress achieved when it was a significant beneficiary of Cohesion Policy funds.

A key message of all these reports and proposals is that Cohesion Policy works. It has delivered measurable outputs and outcomes, meeting targets and indicators across programmes. In each programming period 95% or more of Cohesion Policy funds have been absorbed. Taking that into account and noting the debate regarding the future of Cohesion Policy and the lessons to be learnt from other funds and interventions; it is critically important, if the Union is have confidence in delivery of policy priorities and achievement of results, that we maintain investment in policies that work.

Ireland's view is that the core focus of Cohesion Policy should continue to be the economic, social and territorial integration of the European Union – across all of its regions. While maintaining that focus, Cohesion Policy cannot stand in isolation. It must learn and develop if it is to remain relevant to the current and emerging policy priorities and challenges. It must also be flexible enough both to adapt during the programming period and be able to assist in the response to unforeseen challenges or emergency situations.

3. The focus of Cohesion Policy: reducing disparity through a place-based approach

At its core, Cohesion Policy is about addressing social, economic and territorial disparities so that all citizens have an opportunity to participate in the economic and social life of the Union to the greatest possible extent. It is a mechanism with a purpose regardless of the status or location of each region.

When considering the extent to which Cohesion Policy should be more flexible, the Treaty requirements set out in Article 174 provide a framework for evaluation. The Treaty states:

> "In order to promote its overall harmonious development, the Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion.
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> In particular, the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions.
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> Among the regions concerned, particular attention shall be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps such as the northernmost regions with very low population density and island, cross-border and mountain regions."

Ireland's view is that Cohesion Policy must continue to concentrate on the most disadvantaged. Place-based solutions, implemented through multilevel governance and supported by capacity building measures are an essential first step. Those most directly impacted must be involved in the development of solutions. When implemented through a place-based approach, Cohesion Policy can create a forum for listening and seek to support sustainable long-term solutions building on the strengths of regions and their people so they can build forward better. Cohesion Policy is a powerful symbol of support and solidarity. Properly focused and delivered – through multi-level governance which facilitates the active involvement of those on the ground, Cohesion Policy is a necessary first step to meeting the challenges of the geography of discontent. Noting the proposed use of national plans and associated financing, cofinancing must remain a central feature of Cohesion Policy, to ensure and incentivise continued national and regional ownership and responsibility for delivery.

In that context, Ireland proposes that a greater emphasis is be placed within Cohesion Policy on regional development strategies, specifically adapted to those regions currently struggling with their own economic development. Regions differ in inherited economic and social capital. Some have deficits in basic infrastructure, education, digital connectivity and other challenges. Innovation and regional specialisation are essential for progress and measures that build regional strength and resilience are key to growing competitiveness and meeting other Union priorities. Cohesion policy must continue to be available to all regions, delivered through a territorial, place-based approach and via partnership through shared management and multilevel governance.

4. Developing a new Cohesion Policy

The development of a new Cohesion Policy must address three challenges. Firstly, in the short term, Europe faces an ongoing geopolitical crisis, which, coupled with competitiveness issues across the EU, will require a new approach. Secondly, evaluation and study of Cohesion Policy has emphasised the need for action to address uneven development, the green and digital transitions and demographic change. Finally, a new Cohesion Policy must be flexible enough to adapt to the needs of the time while concentrating on convergence.

Ireland's view is that the Union should work to ensure that its response to the current crises is aligned with and informs the wider reform of Cohesion Policy following issue of the Commission proposals later in 2025 rather than progressing as a set of stand-alone measures.

While Cohesion policy cannot be the main means of delivery for many of the Union's priorities, it provides a tested delivery mechanism.

For example, noting the need for action in relation to the current geopolitical crisis and on the priority issues of climate, digital and competition, Cohesion Policy offers a regionally focused, place-based mechanism that can align delivery of key aspects of individual policies while reducing disparity and strengthening economic, social and territorial cohesion:

- Meeting the climate challenge and particularly seeking new and innovative means of energy generation, storage and transmission has the potential to contribute positively to enhancing cohesion - if the new technologies are located in regions currently suffering decline or facing the challenges of moving away from traditional carbon intensive industries;

- The COVID-19 pandemic underlined how much we depend on digital. Digital connectivity and associated levels of digital skills and access are a key priority to level the playing field for regions. Not investing in this area risks creating yet another set of disparities and divisions between regions;

- To fully realise its industrial strategy and address regional inequalities, the Union must not only focus on emerging industries but also continue strengthening its place-based and cohesion policies. Cohesion Policy provides a foundation for competition – measures to develop infrastructure, training, skills and promote innovation are central to competitiveness. While large enterprises are better supported by competitiveness measures - such as support for excellence, adjustments to State aid rules and financial resources via InvestEU or the European Investment Bank (perhaps by way of a Horizon type instrument) - Cohesion Policy offers a range of supports and interventions in response to specific local needs and supports development of diversified and resilient regional economies. That regional development allows use of the full range of resources and works to support competition and growth.

Cohesion Policy has therefore proved to be a flexible tool to support Member States and regions in times of crisis. It is Ireland's view that the Union, and its Member States have adapted well to meeting these challenges, often mobilising Cohesion Policy funds on an emergency basis either by use of existing flexibilities or the rapid development of consensus on and approval of legislative amendments to the Common Provision Regulations underpinning Cohesion Policy.

Noting that Cohesion Policy must remain true to its long-term goals of reducing regional disparities and promoting economic convergence, Ireland supports maintaining a level of flexibility within Cohesion Policy to facilitate a Union response to crises. This could, for example, include provision for the creation of additional priorities to be agreed by the Member States and Commission. Such flexibility would provide, in Ireland's view, a more useful alternative than the creation and funding of a dedicated crisis response fund or the widespread creation of additional funds or instruments.

5. Objectives of a new Cohesion Policy

Taking the above into account, Ireland proposes that Cohesion Policy for the post-2027 period focuses on the most disadvantaged by addressing disparities between regions. Irrespective of the structure of Cohesion Policy or the type of instrument or intervention progressed as part of the implementation of the policy, implementation must be within the context of progressing a greener, climate neutral Europe and a connected Europe which builds regional ICT connectivity and supports both mobility and a right to stay.

Within that framework, Cohesion Policy should:

- support regional development and transition by way of investments in infrastructure, energy, research, environmental and urban regeneration including access to sustainable housing, supports for small and medium enterprises, strategic industries and transport;
- progress measures that promote sustainable economic and social development and social cohesion, including access to and support for employment, re-skilling, training, human resources and social integration in the labour market;
- enable continued development of European Territorial Cooperation with particular regard to the needs of border areas and those affected by conflict.

In this way Cohesion Policy can deliver meaningful results to support overall EU competitiveness and is better aligned to contribute to the resilience of all regions and the capacity of the Union as a whole.

6. Performance and reforms

Cohesion Policy funds are, under the 2021-2027 common provision regulations and the Multi-Annual Financial Framework, subject to extensive performance requirements. Funds must take cognisance of the Semester process, the relevant Country Specific Recommendations and ensure complementarity and synergies within and across funds. All programmes have targets, indicators and performance measures - reinforced by the requirement of a midterm review with the allied obligation to withhold allocation of funds subject to this review. Failure to meet targets and performance measures results in transfer of funds within that priority, transfer of funds to other priorities or decommitment.

Need for reform of the Semester

While Cohesion Policy funds are linked to the Semester, the connection is limited. While the Semester process provides a programmed and structured approach to evaluating the performance of Member States on an annual basis, Cohesion Policy funds are programmed on a multi-annual basis and reprogramming is the exception.

Annex D of the Country Report provides a mechanism for the Commission to set out recommendations for the Member State regarding programming of Cohesion policy funds. However, the Annex reflects merely the view of the Commission and is used to inform rather than direct investment. Noting the purpose of Cohesion Policy as a long-term structural support to drive convergence and eliminate disparities, as currently drafted, the annual Semester provisions provide only a partial link to multiannual Cohesion Policy funds and one that is not easily adapted to focused management of performance or implementation of the programmes.

A further issue arises when the term 'performance' is considered. Different interpretations of performance appear to have arisen in relation to Cohesion, the Resilience and Recovery Fund (RRF) and individual instruments (e.g. Simplified Cost Options) within the funds. Recent dialogue on the future of Cohesion Policy has seen the suggestion that the national level, Member State specific reforms (which include legislative change, quantitative measures and simple outputs) taken together with the range of interventions progressed under the RRF represent performance. In contrast to Cohesion Policy, where measurement of performance related to achievement of targets, outputs or measures linked to the objectives of the policy itself, many of the national measures progressed as part of RRF implementation were not linked to RRF interventions and often had no connection to the objectives of the RRF.

However, notwithstanding the findings of the Court of Auditors regarding those interventions, including a conclusion that the RRF did not measure performance at all in many instances and the varied approaches to national level reforms, the RFF has changed the expectation regarding what performance is and Cohesion Policy must respond.

Definitions of performance and reform

Before setting out a possible approach to how performance and reforms could be advanced as part of a reformed Cohesion Policy, a key step is to agree a definition of what 'performance' and 'reform' mean or refer to.

It is proposed that performance refer to the extent to which the objectives of the intervention are achieved and provide value for money. Performance should be measured by reference to how implementation is progressing, outputs and results.

In relation to 'reform', it is proposed that it refer to a change which is designed to result in improvement. Reforms should be measured by reference to how implementation is progressing, outputs and results.

Use of reforms under a new Cohesion Policy

Assuming agreement can be progressed on a common definition of performance and reform, Ireland supports an enhanced Semester process to oversee and drive performance in relation to Cohesion Policy. Ireland also supports the use of national-level and other reforms, taking account of the points set out below.

A key consideration in relation to the use of national reforms in relation to Cohesion Policy is whether reforms derive from the proposed pillar approach, which envisages Cohesion Policy funds and a range of other funds being amalgamated in a single national plan for each Member State. If reforms are linked to a single national plan, Ireland's view is that they should be associated with and relevant to the policy priorities set out in that plan. In addition, consideration should be given, noting that Cohesion Policy funds only make up part of the national plan, to linking reforms to particular 'chapters' or thematic concentration within the plan.

Ireland's view is that reforms should:

- Be proposed by the Commission, Member State and Regions taking account of thematic concentration proposed by the Commission and agreed in a partnership process. To ensure Regions are involved in a manner appropriate to their status within the Member State, it is suggested that Regions may propose reforms but only veto a set proportion of those proposed and agreed by the Commission and Member State and only where such reforms require action at Regional or local level.
- Be relevant to Cohesion Policy priorities;
- Take account of the key features of Cohesion Policy, including place-based investments tailored to the unique strengths, challenges, and needs of each region, delivered via multi-level governance and shared management;
- Be selected on the basis that a set proportion are implementable and require concrete, structured action at national, regional and local level;
- Be reported on and evaluated during an enhanced annual Semester process;
- Be separate and distinct from measures relating to Rule of Law unless Rule of Law forms a distinct element of the Cohesion Policy legislation.
- Make use of clear metrics documenting how implementation is progressing, outputs and results.
- Document clear consequences for non-performance – closely linked to the metrics assessing implementation, outputs and results.
- Be based on realistic timescales
- Be flexible in order to adapt to internal and external shocks.

7. INTERREG

Both the High-Level Group on the Future of Cohesion Policy and the Letta report note that territorial cooperation is essential for the economic and social development of our regions. While territorial cooperation has suffered in recent years, largely due to COVID-19 and the Russian aggression towards Ukraine, over 40% of EU territories share borders and 30% of the Union population live in border regions.

In that context Ireland strongly believes that the Union will only address its many challenges by promoting cross border cooperation.

PEACEPLUS, a 2021-2027 programme covering the border counties of Ireland and Northern Ireland, is the largest INTERREG programme in the Union with a budget of €1.14bn. As of March 2025, 81% of its funds have been allocated and this will increase to 90% by June 2025. It's predecessor programmes, INTERREG VA and PEACE IV will both be 100% absorbed. These programmes are delivered in a challenging cross border and international environment and provide examples of successful performance, implementation and outcomes which would not be possible outside the INTERREG framework. Similar success is evident in the Northern Periphery and Arctic, North West Europe and Atlantic Area programmes which Ireland participates in. Separately, the end of the Ireland Wales programme following BREXIT has meant that Ireland has directed national investment to interventions built on the INTERREG model in cooperation with Wales.

Noting the possible consolidation of Cohesion Policy funds under a single national plan, Ireland's view is that it would be administratively complex and difficult in the context of competing priorities to deliver INTERREG type programmes from within that allocation. Instead, such consolidation and reform should be designed to enable greater engagement on territorial cooperation during the next programming period.

Taking that into account, Ireland's view is that a continued INTERREG instrument, in parallel to the consolidation of Cohesion Policy funds, provides the best opportunity for local and regional authorities to address their challenges in areas such as innovation, climate action, health, social cohesion, sustainable tourism and employment while engaging in cross-border, transnational or interregional Territorial Cooperation.

8. Conditionality and Rule of Law

The rule of law underpins the single market and is key to the implementation of the Union's common legal and security framework: it fosters trust and transparency and allows citizens and companies to thrive. From an Irish perspective, a particularly important element of the rule of law is compliance with Article 2 of the Treaty, which provides that "the Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail".

Noting that in recent times, the rule of law appears to have deteriorated in several member states, infringements of Union law may only be pursued and penalties imposed under the procedures provided for by the Treaties. Sanctions are often tied to funds in specific areas where there are violations, rather than freezing funds on a broad basis.

Separately, the 2021-2027 regulations provided for enabling conditions linked to specific objectives, automatically applicable throughout the whole period and where there is non-compliance, no reimbursement of related funds by the Commission. This is to ensure the effective implementation of policy objectives and the effective use of funds and relies on a close link between the conditionality and the policy objective pursued and financed by the programme.

Ireland is a strong supporter of the current conditionality regime – the use of horizontal and thematic enabling conditions - and the expectations that underpin delivery of Union-funded programmes. A strong link between Union values, the Charter of Fundamental Rights and access to EU funds is essential. Noting the Commission's efforts to apply the principles of objectivity, non-discrimination and equality in its application of the regime under the 2021-2027 programme, it is important that any future conditionality regime is imposed equally across all member states and that Member States not compliant with the Rule of Law are sanctioned appropriately.

Noting that conditionality making Member States' entitlement to financial assistance subject to compliance with specific obligations must align with the legal basis under which it was introduced, Ireland proposes that the Commission consider how a general legal instrument could be created that would allow the freezing or withholding of funds on a large scale or, as an alternative, propose new, meaningful and implementable conditions to be introduced as part of new Cohesion Policy regulations. Such conditionality should not depend on or be subsidiary to the initial use of other procedures in Union law (e.g. infringement procedures) but instead stand independently.

9. Greater Simplification

The regulatory framework for the 2021-2027 period aimed to simplify the delivery and management of Cohesion Policy. Some of these new features included the introduction of finance not linked to costs (FNLC) and the mid-term review, which allowed for up to 50% of the 2026 and 2027 allocations to be reprogrammed in the 2025 mid-term review.

The urgent need to simplify the unnecessary regulatory complexity surrounding the management of Cohesion Policy Funds remains. There is evidence to suggest that the administrative workload associated with EU funding is reducing the willingness of intermediate bodies and beneficiaries to take part in programmes. This is particularly relevant for Member States, such as Ireland, who receive relatively small allocations.

One potential way to address this is to consolidate existing funds and reduce the number of funds, noting the need to preserve existing the policy scope and an appropriate range of interventions adapted to the needs of EU citizens.

This will allow Member States to focus their allocations on agreed priorities, ensuring that the available limited resources can be used appropriately. In that context, Ireland supports the use of thematic concentration as a means of ensuring that investment is focused on Union objectives and prioritised appropriately.

Thematic concentration

To be effective, thematic concentration must take account of the extent to which the relevance of certain priorities changes over time and the need to adapt to new, sometimes unanticipated priorities. While thematic concentration has remained largely static in the current 2021-2027 programme, regulatory amendments to provide for support to Ukraine, facilitate the response to natural disasters and invest in strategic industries have effectively provided a means of amending thematic concentration and have allowed for significant flexibility in the creation and use of new priorities. Learning from this, Ireland proposes that:

- thematic concentrations introduced at programme planning stage are comprehensively reviewed as part of the Mid-Term Review and where it is evident that significant change is required to support best use of and absorption of funding, thematic concentration is amended;
- the programme framework should be amended to support piloting of new actions without the need for target setting so far in advance;
- 'within-programme' flexibility be increased by providing for an increased rate of transfers across priorities without sacrificing thematic concentration or long-term goals, enabling better responses to unforeseen circumstances such as economic shifts or crises, thereby safeguarding coherence with programming logic;
- regions in transition / less developed regions which are sparsely populated (according to criteria to be defined) should be allowed greater flexibility on thematic concentration requirements and allowed to consider investments in cohesion fund connectivity-type measures e.g. road and public transport projects.

Reducing complexity in implementation

In addition, to reduce complexity in programme implementation, Ireland proposes that:

- a threshold value is introduced for operations below which the Managing Authority does not have to ensure that the selected operation does not include activities which:
    - were part of an operation subject to relocation (CPR Art 73.2(h)) activities,
    - were part of an operation which would constitute a transfer of a productive activity (CPR Art 73.2(h)),
    - are directly affected by a reasoned opinion of the Commission in respect of an infringement under Article 258 TFEU (CPR Art 73.2(i));
- a threshold value is introduced for operations below which the requirements in respect of Durability of Operations or Relocation do not apply (CPR Art 65 & 66);
- the Commission:
    - streamline and reduce the timescale applying to the approval process for SCOs,
    - increase the resourcing of support for CPR Article 94 and CPR Article 95 SCOs at Member State and Commission Level (including within audit functions) to accelerate the design and approval of these SCOs,
    - make it easier to develop more model SCOs, especially for smaller-scale projects, without increasing the administrative burden, perhaps by approval of appropriate National rates or metrics;
- greater reliance is placed on the fulfilment of the enabling condition of "effective monitoring mechanisms of the public procurement market procurement" (CPR Art 15) at Member State level and the need for management verification, financial corrections and audit of below Union threshold contracts is removed;
- Article 24 be amended to increase the value of transfers and related changes that shall be considered not substantial and shall not require a decision of the Commission;
- the coefficients for the calculation of support to climate change objectives (CPR Annex I) for actions under certain ERDF specific objectives are increased in line with the provisions applying to the EU Just Transition Fund;

- irregularity reporting by programme authorities be simplified by removing the need to apply net financial corrections in all cases where irregularities are detected after such expenditure has been included in a payment claim;
- the single audit principle is expanded by amendment of Article 80(2) to provide that where the Commission is of the opinion that where the audit authority is reliable, the Commission's audits should be limited to auditing the work of the audit authority;
- the requirements in Annex XVII of the regulations regarding data on beneficial owners are reviewed to ensure that data is relevant, useful and that collation does not impose a significant administrative burden;
- Member States may meet the requirement to collect information on beneficial owners of contractors involved in implementing operations where public procurement procedures are above the Union threshold by relying on the information available in Arachne. Introduce a Do No Significant Harm (DNSH) compliance threshold per project, so it applies only to projects exceeding €10m in line with the InvestEU Programme.

Reforming State Aid

In relation to State Aid, Ireland proposes that:

- greater reliance is placed on fulfilment of the enabling condition of "Tools and capacity for effective application of State aid rules" (CPR Art 15) at Member State level to reduce the burden on beneficiaries and Managing Authorities to verify State aid rules and on auditors to audit State aid compliance;
- the aid intensity for investment aid and operating aid for clusters under GBER for the remainder of the 21-27 programme period is increased;
- the Commission provide that the residual value under Article 56 GBER for local infrastructure should be disregarded in the case of infrastructure that supports the regional innovation ecosystem;
- the de Minimis threshold is increased to €600,000 over three years.

Building capacity to implement change

To limit the risk that changes now will delay the next programme, Ireland proposes that the Commission:

- encourage and support capacity building for new programme design and simplification well in advance of the new programming period to support early implementation;
- rationalise its evaluation process so it does not lengthen the timescale for programme introduction and implementation;
- publish guidance – particularly in relation to new instruments – as early as possible;
- work with the Court of Auditors to clarify the status of Commission guidance as having a key role in directing the actions of those implementing the programme but not having regulatory force.

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