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On the Tenth Report on economic, social and territorial cohesion

{SWD(2026) 977 final}

1. INTRODUCTION

Economic, social and territorial cohesion is a fundamental objective of the European Union (EU). The legal and political framework of the current cohesion policy is rooted in the Single European Act of 1986**,** which established economic and social cohesion as a Treaty objective alongside the completion of the single market.[1] The Treaty on the Functioning of the European Union (TFEU)[2] commits the EU and its Member States[3] to pursue policies with a view to reducing disparities between regions and strengthening economic, social and territorial cohesion.

The 10th Report on Economic, Social and Territorial Cohesion (Cohesion Report) provides an update on the Union's progress in achieving its cohesion objectives, in line with the Commission's obligations under the TFEU[4] to assess the progress made towards achieving economic, social and territorial cohesion, as well as on the manner in which EU funding and other policies contribute to this objective.

The report enriches the analysis of the European Semester, contributing to the identification of investment and reform priorities at Union, national and subnational level. The Treaty[5] requires Member States to conduct their economic policies and coordinate them in such a way as to also attain cohesion objectives. The European Semester is the tool for coordinating economic, fiscal, employment and social policies in the EU. By analysing regional disparities, the major factors driving them, as well as the impact of EU and national policies in addressing them, the 10th Cohesion Report provides further analytical support to the Semester.

The 10th Cohesion Report also presents the outcome of the mid-term review of the 2021-2027 cohesion policy programmes, in line with the Commission's reporting obligations.[6] The mid-term review amendments[7] provided flexibilities and incentives for Member States and regions to amend their cohesion policy programmes voluntarily to reallocate funding for long-term investment towards five new strategic priorities: (i) competitiveness, particularly in strategic technologies (including related skills development, and industrial decarbonisation) (ii) defence, cybersecurity and civil preparedness (including related skills development and military mobility); (iii) affordable and sustainable housing; (iv) water resilience; and (v) energy infrastructure. As part of the formal mid-term review process that ended in December 2025, 25 Member States reprogrammed EUR 34.6 billion to these five strategic priorities.

The report concludes that cohesion policy remains essential in addressing the challenges arising from the economic, geopolitical, technological and demographic changes facing the EU. Rising geopolitical tensions and global competition, climate and environmental challenges and rapid technological transformation, are reshaping the landscape. As set out in the 2026 State of the Union address, safeguarding Europe's prosperity, security and economic,

[1] Certain cohesion policy funds predate the Single European Act: For example, the European Social Fund goes back to the Treaty of Rome and will celebrate its 70th anniversary in 2027, while the European Regional Development Fund was launched in 1975.

[2] Article 174 of the Treaty on the Functioning of the European (TFEU) establishes that "the Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion".

[3] Article 175(1) requires that "Member States shall conduct their economic policies and shall coordinate them in such a way as, in addition, to attain the objectives set out in Article 174."

[4] Art. 175(2) TFEU requires the Commission to report regularly on progress on cohesion in the EU, and submit a report to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions.

[5] Article 175(1) TFEU.

[6] Art. 18(6) of the Common Provisions Regulation (Regulation (EU) 2021/1060 requires the Commission to report on the outcome of the mid-term review of cohesion policy by end 2026.

[7] Regulations (EU) 2025/1913 and 2025/1914.

social and territorial cohesion, will require boosting the EU's competitiveness. This entails deepening the single market, reducing administrative burden, notably on businesses, investing in skills and affordable clean energy, enhancing transport and tourism-related public infrastructure strengthening research and innovation, and building more diversified and secure supply chains[8]. Moreover, as highlighted in the Letta Report[9], deeper Single Market integration to raise the efficiency of the EU's economy also requires strengthened support for regions in stagnation or decline so that they also can participate in this integration, thus enabling efficiency gains to be evenly shared.

At the same time, this changing environment and the lessons learned from implementation require cohesion policy to continue to modernise. The mid-term review of the 2021-2027 cohesion policy programmes was an important step to increase flexibility and align programmes with the EU's emerging strategic priorities, while preserving the partnership principle and the place-based and people-centred approaches to long-term investment that are central to the policy. The Commission proposals for the Multi-annual Financial Framework 2028-2034, particularly for National and Regional Partnership Plans (NRPP), promote further simplification, more flexibility, support for reforms and investments, as well as a continued interaction and dialogue with regional and local authorities, in accordance with the partnership principle. The design of future cohesion policy measures should also build on positive examples of recent implementation, including the mid-term review of cohesion policy and the leveraging of EU funds to crowd-in private investments.

2. STATE OF COHESION

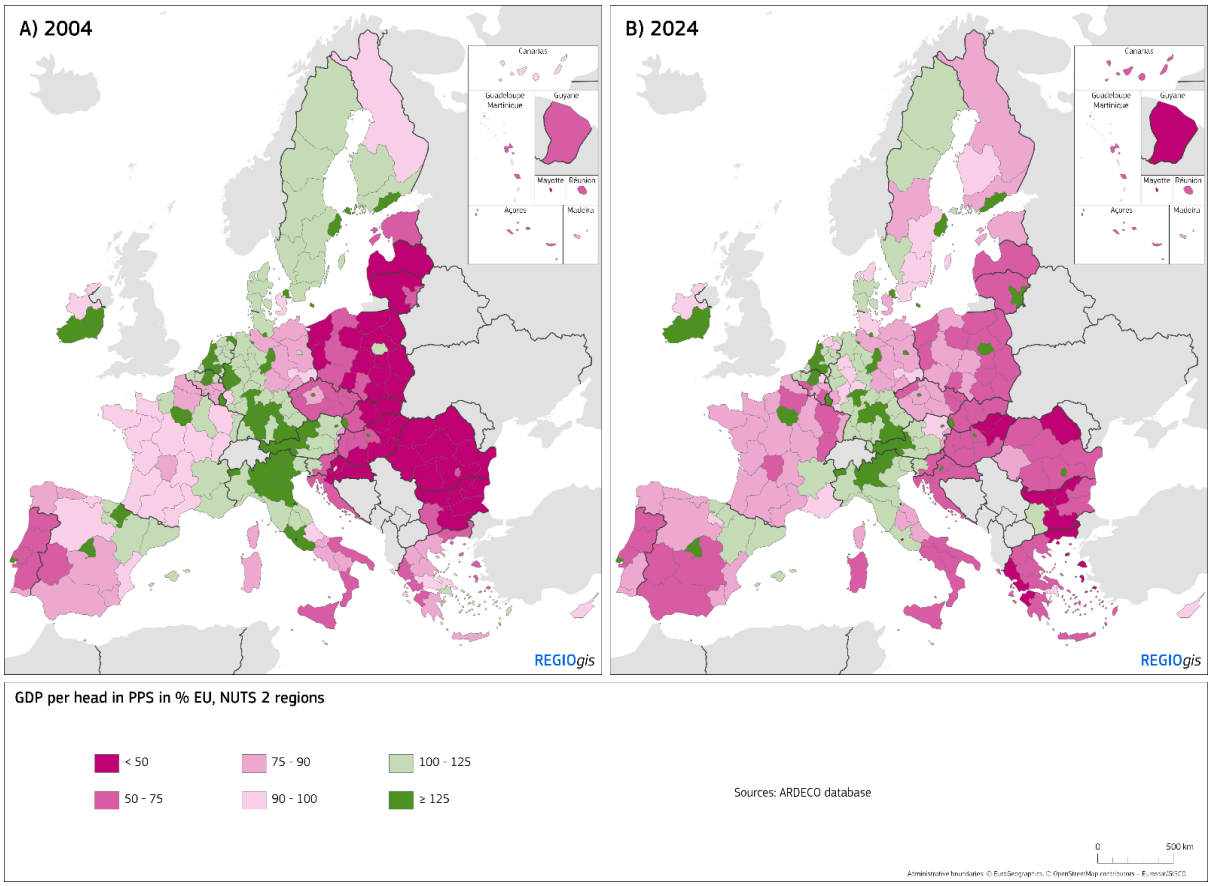
Cohesion policy and the single market continue to be powerful drivers of convergence. Regions in the Member States that have joined the EU since 2004 have been converging markedly towards the EU average (Figure 1), raising their GDP per head in purchasing power standards from 52% to 80% of the EU average. The combination of foreign direct investment, integration in value chains, and public investment in enabling conditions, to a large degree through cohesion policy, have driven this process. Many southern EU regions were severely hit by the global financial crisis and sovereign debt crisis but since 2013 have returned to growth and are contributing to convergence.

Convergence has not been uniform, neither across nor within Member States, with slow growth and stagnating living standards increasingly found in regions outside the poorer Member States (Figure 1)**.** In several Member States, there are regions falling behind, with an increasing number seeing their real GDP per head fall below the EU average, including in Western and Northern Europe. Of the EU's 244 regions[10], those with real GDP per head below the EU average have increased from 145 at the beginning of the 2021-27 programming period[11] to 153 in 2024. In particular, the number of regions with real GDP per head below 75% of the EU average has increased from 78 to 86 in 2024 [12] while the number of regions with GDP per

[8] European Commission (2026), Chapeau Communication of the 2027 European Semester Autumn Package.
[9] Letta, E. (2024), Much More than a Market.
[10] Regions as defined under Eurostat's NUTS 2 statistical classification methodology.
[11] For the 2021-2027 period, the underlying Eurostat regional accounts use the reference years 2015–2017 for real GDP per head (purchasing power standards). Less developed regions were defined those with real GDP per head (purchasing power standards) below 75% of the EU average; transition regions were those with real GDP per head between 75%-100% of the EU average; and more developed regions those with real GDP per head above the EU average.
[12] One region in each of Belgium and Greece, two in Spain and five in France that were above 75% of the EU average recorded real GDP per head below this threshold in 2024, while two regions in Poland and one each in Portugal and Romania that were

head between 75 and 100% of the EU average has remained stable, at 67, despite several changes in and out of this reference bracket.[13]

Figure 1: GDP per head in PPS, % EU, NUTS2 regions



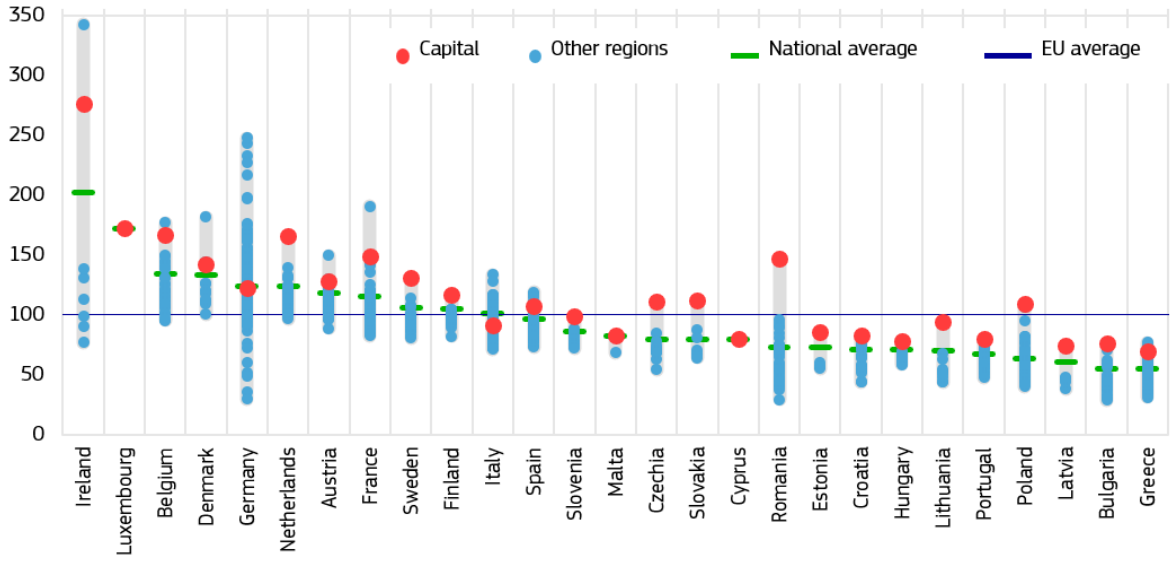
Within countries, capital regions stand above their national productivity average almost everywhere, particularly in Member States converging with the EU average (Figure 2).[14] Regional dispersion in GDP per hours worked in 2023 is particularly pronounced in Romania, Hungary, Slovakia, Czechia and Bulgaria despite national convergence to the EU average but also in Finland, Sweden, France and Austria where the majority of regions (NUTS3) have productivity below the national average.

below 75% of the EU average recorded GDP per head above this threshold in 2024. Two regions below 75% of the EU average in Portugal and one in Croatia are newly created.

[13] In addition to the changes describe in the previous footnote, three regions (one each in Ireland, Malta and the Netherlands) recorded real GDP per head above the EU average in 2024, while eight regions (in France, Germany, Italy, Austria and Spain) saw real GDP per head fall below the EU average in 2024.

[14] Measures of regional dispersion are sensitive to how territory is partitioned: fewer, larger regions mask internal disparities. The indicator should therefore be compared over time within the same country but not across countries.

Figure 2: Regional labour productivity (EU=100) in NUTS3 regions, 2023



Note: Measured as GDP per hours worked. GDP per hour worked is shown for 2023, the latest year for which data on hours worked were available at NUTS 3 level at the time of drafting.
Source: DG REGIO, based on ARDECO

Regional social disparities mirror regional productivity gaps. Household income disparities between Member States have narrowed markedly since 2000, driven by eastern regions. This is not the case in southern regions where weak productivity coexists with high poverty, in-work poverty and youth inactivity. Poverty differences within countries are wide: in Germany, Greece, Spain, Italy and Romania, regional rates of at risk of poverty or social exclusion span more than 15 percentage points. Skills are most available and best used in regions where productivity is highest, translating better social outcomes into higher productivity. Skills are among the most robust correlates of regional productivity. Gaps in tertiary attainment within Member States often match those between the highest- and lowest-attaining countries. Labour inclusion also reveals a notable disconnect: available labour potential remains idle in the very places that face labour shortages. All these issues reflect misallocated, rather than absent resources.

Many structurally disadvantaged territories continue to experience a self-reinforcing cycle of limited economic opportunities and demographic decline. Rural, remote, mountain, coastal, island, outermost, border and northern sparsely populated areas (NSPAs) face structural handicaps that impose high costs for economic integration and public services. In Eastern border regions these handicaps are exacerbated by the additional challenges arising from Russia's war of aggression in Ukraine and hybrid threats.[15] In all these territories, a narrower economic base shrinks tax revenue and opportunities; outmigration weakens labour supply, entrepreneurship and services; and fragmented governance can undermine public intervention. In some cases, even if growth is comparable or higher than the national average (e.g. GDP growth in the Swedish NSPAs between 1995-2024 outperformed the national average by 61.4% vs. 54.6%) there is outmigration of younger and more entrepreneurial residents resulting in shrinking populations.

[15] Communication on the EU's eastern regions bordering Russia, Belarus and Ukraine, COM(2026) 82 final.

Persistent regional and territorial disparities can lead to long-term economic and social stagnation. Over the past two decades many regions have experienced a prolonged period of economic stagnation, or 'development trap', with chronically sub-par performance in GDP, employment and productivity.[16] One fifth of EU regions, including some in richer Member States, have yet to return to their level of real GDP per head in 2008. These include not only structurally disadvantaged territories, but also other regions, including historically more developed regions in long-term post-industrial transition. Regions in such development traps tend to show a stronger sense of being left behind and lower trust in the EU.[17] Research also suggests EU funds can strengthen that trust when they help promote tangible improvements in local economic opportunities.[18]

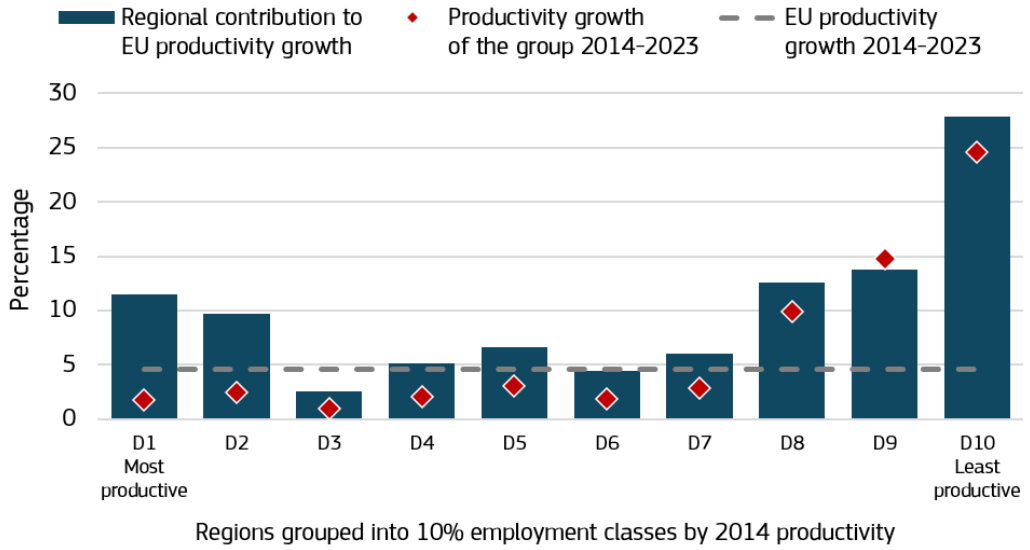
3. KEY CHALLENGES TO COHESION AND EU PRIORITIES

A central priority for the EU and cohesion policy is to boost competitiveness by addressing constraints at national and regional level. To support greater competitiveness and productivity growth, the EU promotes research, innovation and the adoption of the most performing technologies[19]. Productivity growth can come both from closing the EU's innovation gap by improving its capacity to commercialise and scale new frontier technologies such as AI, as well as from facilitating the diffusion of innovative solutions and existing technologies across firms and regions. This requires investment and reforms to address structural constraints at national and regional level. It also requires boosting human capital through inclusive and effective education and training systems to tackle skills shortages and foster labour mobility and transitions.

Unlocking the competitiveness of all regions is essential for strengthening the Union's aggregate competitiveness. Analysis in the Cohesion Report shows that through their convergence the 30% least productive regions in the EU generated around half the EU's productivity growth between 2014 and 2023 (Figure 3). The 20% most productive regions made the next largest contribution to aggregate EU productivity growth, accounting for around 20% of the total**.** By contrast, the middle-tier regions made a smaller contribution to aggregate EU productivity growth. This analysis suggests the EU's aggregate competitiveness depends on the competitiveness and productivity of all its regions and their territories.

[16] European Commission (2024), 9th Report on Economic, Social and Territorial Cohesion.
[17] European Commission (2024), 9th Report on Economic, Social and Territorial Cohesion.
[18] Crescenzi, Di Cataldo and Giua (2020), "It's not about the money," Regional Science and Urban Economics.
[19] European Commission (2026), European Semester Autumn package Chapeau Communication.

Figure 3: Regional contributions to EU productivity growth



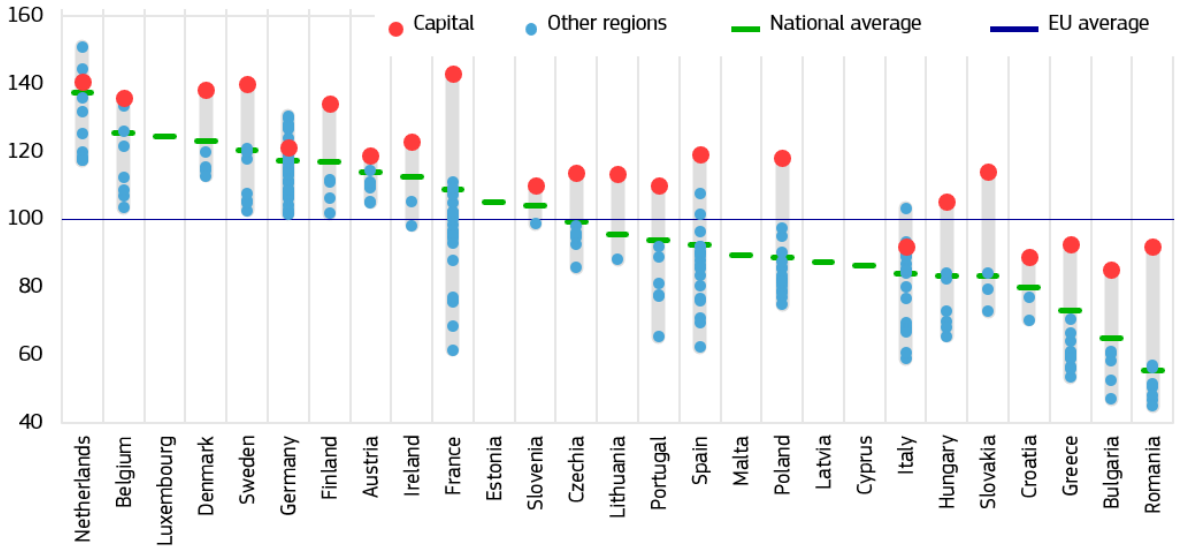
Note: Productivity growth over 2014–2023 and contribution to total EU-26 productivity growth, by 2014 productivity deciles, from most to least productive, NUTS 3 regions.
Source: JRC calculations based on ARDECO

Different regions can take different routes to competitiveness and productivity growth. Some regions have raised their competitiveness by pushing the technological frontier through access to risk capital and highly innovative firms, including via cohesion policy.[20] Strong productivity growth has also occurred however beyond such ecosystems. Analysis in the 10th Cohesion Report shows that between 2000 and 2024, most regional productivity growth derived from upgrading within existing sectors through automation and digital tools rather than from large-scale shifts to new sectors. For example, rural regions such as Steyr–Kirchdorf and Traunviertel (Austria), Vestjylland (Denmark) and Holzminden (Germany) perform strongly despite moderate R&D intensity, reflecting territorially embedded industrial capabilities, including specialised suppliers, skilled labour, engineering expertise and close producer–customer ties[21]. Such regional ecosystems will play an essential role in developing new European specialisations and encouraging the uptake of new technologies in the current context of industrial transformation driven by technological change and geopolitical pressures.

The drivers of regional competitiveness are highly place-specific and uneven, both among and within Member States (Figure 4)**.** The underlying drivers include institutional quality, infrastructure, education, labour-market efficiency, market access and innovation capacity. Higher-productivity countries tend to have lower regional dispersion, but eastern Member States show that national catch-up does not automatically bring regional and territorial convergence. Regions with weak foundations need stronger institutions, infrastructure, skills and market access; those with solid foundations but weaker innovation need better links between firms, research, finance and skills; and support can be provided to leading regions to spread knowledge and market opportunities beyond their own ecosystems.

[20] Most recently with the EUR 15.1 billion allocated to the Strategic Technologies for Europe Platform (STEP) under the mid-term review, with just under half coming from regional programmes.
[21] Sasso, S., Perpiña Castillo, C. and Napolitano, L. (2026), *Innovation in the EU: technological and creative performances in numbers across urban and rural regions*. https://data.europa.eu/doi/10.2760/8672874.

Figure 4: Regional Competitiveness Index 2022 – Regional variation by Member State



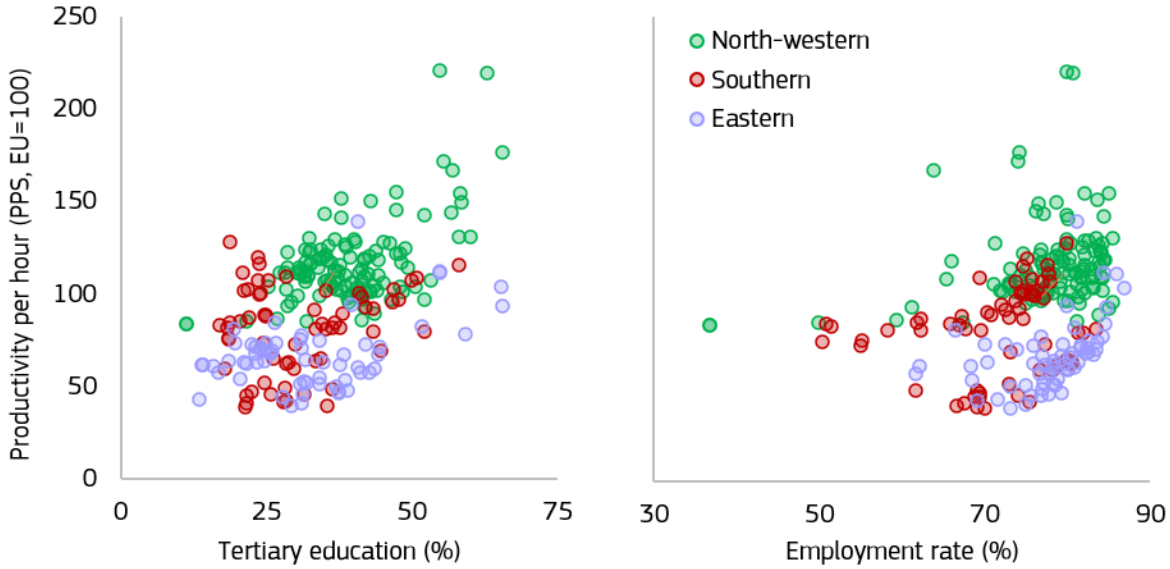
Source: DG REGIO and JRC

The Cohesion Report highlights institutional quality as a critical cross-cutting enabler for broad-based regional competitiveness. Cohesion policy implementation, as well as analysis under the European Semester, have identified strong public administration as central for competitiveness and policy delivery. Authorities need the capacity to identify and design strategic priorities in partnership with local stakeholders, to select and deliver appropriate forms of public investment, and to adapt common European objectives successfully to territorial conditions. The report shows that institutional capacity in less developed and transition regions is below the EU average. Strengthening it, particularly in permitting, spatial planning, procurement capability and digital services, can contribute significantly to regional competitiveness and is a priority that needs to be reflected in the future.

Better education, skills and labour market participation would also substantially boost regional competitiveness. [22] Labour market participation of workers aged 55-64 ranges from below 40% in parts of the south and east to above 70% in parts of the north-west of the EU. Tertiary education attainment gaps within Member States often match cross-country extremes: in many southern and eastern regions only about a quarter of working-age adults hold a degree, and tertiary and vocational attainment (60%) trails the best performers (85%). Mismatches compounds scarcity: under-qualification concentrates in the south, over-qualification in France, Finland, Germany and the Baltic States. Adult learning mostly reaches the better educated, and parental background concentrates lower attainment in specific territories and groups. These gaps weigh heavily as ageing, skills shortages and weak productivity growth strain the EU growth model. *Figure 5* shows an overall positive correlation between productivity and educational attainment (first panel) and employment (second panel).

[22] Draghi M. (2024), The Future of European Competitiveness; Hemerijck, A. (2018). Social investment as a policy paradigm. Journal of European Public Policy, 25(6), 810–827.

Figure 5: Skills and employment increase productivity



Note: Productivity per hour against tertiary attainment and employment rate (20–64), NUTS2 regions, 2023
Source: DG REGIO calculations based on ARDECO and Eurostat

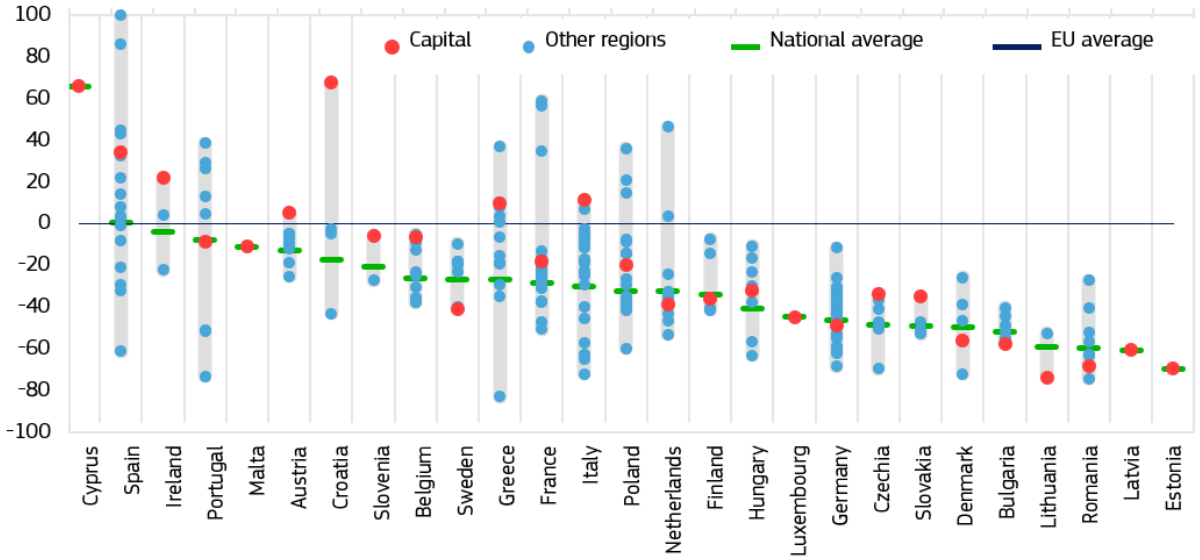
Competitiveness is also jeopardised by the lack of affordable housing. Cities are among the EU's most dynamic territories, and their capacity to thrive depends on attracting and retaining firms and skilled workers. However, deteriorating housing affordability, which has been especially marked in cities, can constrain this capacity: nominal house prices rose by more than 65% between 2013 and 2025, far outpacing household income growth (up 10 percentage points). Population growth, especially net migration into cities, is most strongly associated with rising affordability pressures as housing supply has often not kept up. Roughly one-third of NUTS 3 regions, mainly urban metropolitan and capital regions, face housing demand rising faster than supply.

Another challenge closely linked to competitiveness is ensuring energy security, affordability and resilience through the transition to clean energy. High energy prices linked to dependence on imported, mostly fossil energy have increased costs and weakened competitiveness, making clean, domestic and affordable energy central to energy autonomy and competitiveness in European regions. The EU has made progress in expanding renewables, decarbonising power and electrifying the economy. However, significant further potential in renewables and other low-carbon energy sources remains untapped, requiring substantial investment, including in grids, interconnections and other infrastructure. Much of this potential is located in less developed, rural and peripheral regions so realising it would not only benefit the EU economy but also host communities through local jobs, community participation and affordable energy.

Distinct regional characteristics call for differentiated decarbonisation strategies. Regions differ in energy resources, infrastructure needs, industrial structures and exposure to transition costs, with industry and power generation concentrated in a few regions. Almost all Member States have reduced emissions since 1990 while their economy has grown, although in a number of regions they have increased (*Figure 6*). Wind and solar power could cut energy-sector water use by 25%, easing the pressure on ecosystems, agriculture, energy, infrastructure and communities and contributing to balanced regional development at a time when seasonal

water scarcity affects one-third of Europeans.[23] This transition will need to be just, ensuring that support is available to diversify employment in areas that bear the highest costs of the transition to a carbon-neutral economy, particularly in fossil fuel and energy intensive sectors.

Figure 6: Change of total GHG emissions, 2025 compared with 1990 levels



Note: No data for NUTS2 regions of Ceuta (ES), Melilla (ES), Mayotte (FR) and La Réunion (FR), but national level data includes changes recorded by these NUTS2 regions. Reductions recorded by Member States might slightly differ from reductions reported in the EU Climate Action Progress Report.
Source: JRC-EDGAR

Despite progress across the EU, transport infrastructure remains under-developed in many peripheral regions and outside urban centres, constraining economic potential.[24] Well-targeted infrastructure investment and network planning are essential to addressing connectivity gaps and the needs of less developed regions. Disparities constrain regional competitiveness and encourage the concentration of economic activity in major urban centres. Completing the Trans-European Transport Network (TEN-T), improving regional access and removing bottlenecks will reduce connectivity gaps, lower connection time and transport costs, foster tourism in less developed, rural, remote, coastal and island regions and help integrate regions into European markets, unlocking their economic potential. In the current geopolitical context, transport networks are also critical to military mobility, with dual-use infrastructure strengthening regional and EU security and resilience.

Alongside persistent economic disparities, regional depopulation poses a growing challenge to cohesion across the EU. As highlighted in the 2026 State of the Union address, regional development and investment are vital so that everyone has the "right to stay". Many regions, especially rural and remote areas (those far from towns), face natural population decline and outmigration of young adults leaving for cities and more dynamic regions (*Figure 7*), compounding the decline in productivity and the local labour force. Ageing has intensified these pressures, raising old-age dependency and further straining labour markets and services.

[23] European Environment Agency (2025), 'Europe's environment 2025 – Knowledge for resilience, prosperity and sustainability', EEA Report 11/2025: https://www.eea.europa.eu/en/europe-environment-2025/main-report.
[24] European Commission (2024) Ninth report on economic, social and territorial cohesion

The “right to stay” means ensuring people are not forced to leave their home region or are prevented from returning.

Figure 7: Average annual net migration rates by age group, degree of urbanisation and distance to cities, 2011-2021



Source: European Commission, Joint Research Centre, Alessandrini, A., Bernini, A., Deuster, C., Endrich, M., Natale, F., Ueffing, P. (2025), Demographic outlook on "right to stay" - Beyond the Letta report, Publications Office of the European Union, Luxembourg, 2025, JRC142835

Behind these population trends lies a complex mix of economic and social factors that shape people’s “right to stay”. Regions that are losing young working-age people tend to face interconnected challenges in competitiveness; education, skills and employment; infrastructure and connectivity; and access to social and essential services. These challenges are most pronounced in eastern and southern Member States, remote, mountainous and rural areas, islands, outermost and border regions. However, they also affect relatively prosperous, sparsely populated north-western territories with limited connectivity and service access. The forthcoming Right to Stay Strategy will present a holistic policy response to these challenges and will, where appropriate, build on and create synergies with other Commission initiatives.[25]

4. THE IMPACT OF EU COHESION POLICY

4.1. COHESION POLICY IN 2021-2027

Cohesion policy is the EU’s main long-term investment tool with a focus on less developed regions where it finances a significant share of public investment. Under the 2021-2027 MFF, cohesion policy will mobilise EUR 378 billion in EU financing (EUR 526 billion including national co-financing), under the European Regional Development Fund (ERDF), the European Social Fund Plus (ESF+), the Cohesion Fund and the Just Transition Fund. All regions receive cohesion policy resources, but funding is concentrated on less developed regions, which in the 2021–2027 programming period receive 69% of the EU allocation, and on people that need support most. In less developed Member States[26], cohesion policy

[25] For example, the Commission’s Vision for Agriculture and Food that also responds to challenges facing rural areas and communities.

[26] Member States with GDP per capita below 90% of the EU average.

accounted for 52% of total public investment in the 2014-2020 period and an estimated 30% between 2021-2025 .[27] The policy is implemented through 539 programmes[28], with the largest allocations going to the objectives of a Social Europe, Greener Europe and Smarter Europe. Around 10% of the EU cohesion policy envelope (EUR 38 billion) is being delivered through territorial instruments[29], giving local authorities and partnerships a role in setting priorities and selecting projects.

Implementation accelerated between 2023 and 2026. After a slow start, affected by the aftermath of the Covid-19 pandemic and Russia's war of aggression against Ukraine, programmes are now at cruising speed. By June 2026, 74.1% of planned investment had been selected and 22.6% implemented[30], with expected results including:

- 23 million participants in ESF+ operations, almost half of them in education and training, followed by around one quarter each in the areas of employment and social inclusion;
- support for nearly 800 000 companies and over 3 700 research organisations;
- almost 500 000 dwellings with better energy performance and 14 000 MW of additional renewable capacity;
- over 4 000 km of flood protection and 24 000 km of new or upgraded water supply pipes;
- 8.9 million tonnes/year of extra recycling capacity;
- over 5 200 km of new and upgraded, as well as reconstructed and modernised railway (3 900 km of TEN-T rail and over 1 300 km of non-TEN-T rail);
- over 12 600 km of urban transport infrastructure (more than 11 400 km of cycling paths, and over 1 200 km of new and/or improvement metro lines);
- Improvements in social housing and in health, education and care infrastructure that should benefit around 125 million people a year, and
- Integrated territorial strategies and local development projects benefitting 24 500 stakeholders.

The promotion of competitiveness and innovation is a core objective of cohesion policy programmes. Under the 2021-2027 cohesion policy, around EUR 51.4 billion from the ERDF is envisaged for the promotion of competitiveness, research and innovation with an additional EUR 40 billion in private investment mobilised till the end of the programming period. Examples of impactful projects under this and the previous programming period are summarised in Box 1). In addition, EUR 64.3 billion are envisaged in climate related investments linked to clean transition, decarbonisation of industrial processes and green skills.[31]

[27] In the 2021-2025 period, Member States' public investment was significantly boosted following the Covid-crisis and the Russian war of aggression against Ukraine, including by the RRF.
[28] This number includes national, regional, sectoral, territorial and cross border programmes.
[29] These instruments are outlined in Articles 28–30 of Regulation 2021/1060 and include Integrated Territorial Investments (ITI) and Community Led Local Development (CLLD).
[30] The selection rate is the ratio between the value of all operations selected for support and the funds allocated. The implementation rate is the ratio between eligible costs declared by the beneficiaries for implemented operations and funds allocated.
[31] These investments are part of the estimated 31% of the EU cohesion policy envelope (ERDF, CF, JTF, Interreg, ESF+) dedicated to climate objectives in the 2021-27 programming period.

Box 1

In Cyprus, the municipality of Nicosia transformed a landmark modernist market located near the Green Line into the CYENS Centre of Excellence – a leading research and innovation hub for artificial intelligence, smart cities, immersive technologies, and entrepreneurship.

In Lelystad, the Netherlands, the Data Haven project is an innovative, hybrid, and sovereign solution that enables the secure processing of privacy-sensitive emails, with temporary data storage fully independent from non-European hyperscalers.

In Eastern Slovakia, the AI Holopresence project led to three patent applications and a market-ready product that is being used in industrial training, education and remote collaboration.

In North Rhine-Westphalia, Germany, prototypes are being tested for the ERDF co-financed MONOCAB, an individual, autonomous and flexible sustainable form of public transport adapted to less densely populated rural areas.

Cohesion policy has also provided useful policy frameworks to Member States and regions to promote competitiveness. Smart Specialisation Strategies were introduced in cohesion policy programmes in the 2014-2020 programming period[32]. They have become a core national and regional policy framework for research and innovation (R&I), industrial modernisation and competitiveness during the 2021-2027 period.[33] Box 2 shows two historic examples: a region that overcame industrial decline, and a less developed region that built a global cluster.

Box 2

Case Study 1. Basque Country (Spain): from industrial crisis to innovation-led manufacturing

In the early 1980s, the collapse of steel and shipbuilding left the Basque economy close to stagnation. The regional government responded with a long-term strategy to modernise its industry rather than replace it, building technology centres and, from the early 1990s, cluster organisations.

Cohesion policy boosted this strategy. The 2000–2006 programme of EUR 611 million put over a third of its resources into research, innovation and the digital economy. It supported 43 technology centres and 143 company research projects. By 2006, business spending on research reached 1.1% of GDP, compared with 0.7% in Spain, and income per head had risen above the EU-15 average. The technology centres remain at the heart of the region's innovation system today, and the region has become a reference for smart specialisation.

Case study 2. Podkarpackie (Poland): an aerospace cluster in a less developed region

At EU accession, Podkarpackie was among the EU's poorest regions, but it had a long aviation tradition. In 2003, local firms, the regional university of technology and development agencies set up the Aviation Valley cluster.

Cohesion policy co-financed what the firms could not build alone: training for engineers and pilots, research centres, business sites and a new airport terminal. Global aerospace firms invested, and local suppliers grew around them. Employment in the cluster has risen from around 9,000 at its creation to over 30,000. Aviation is now one of the region's smart specialisation priorities. The next step is to deepen local research and supplier capacity

[32] Regulation (EU) No 1303/2013

[33] European Commission (2025), Smart Specialisation 2021–2027: Europe's Regional Framework for Research, Innovation and Transformative Change.

Social gains were equally tangible, with education and health infrastructure benefiting 145 million citizens. For 2014-2020, ESF and Youth Employment Initiative measures concerned 78.7 million participants, while 9.5 million people entered employment, 12.5 million obtained a qualification and almost 4 million enrolled in further education or training. Building on the lessons from the previous programming period, the 2021-2027 ESF+ provides continuity and renewed momentum in the EU's investment in people, strengthening employment, skills development and social inclusion while responding to emerging social and labour market challenges. This demonstrates that the ESF+ helps turn policy into practical results as shown in Box 3.

Box 3

ESF+ operations that are improving lives, boosting skills and creating more inclusive opportunities for all.

Finding **childcare that is accessible, affordable and high quality** can be a major obstacle for parents of young children who want to return to work. To resolve this, the ***Parents in Employment*** project in Bulgaria provides up to eight hours of free childcare a day for parents returning to work. This not only helps parents to return to work, but it also creates jobs for unemployed people, as child carers, and benefits the children by providing a good start in life.

Young people take centre stage in **DesTEENazione** an **Italian youth inclusion and well-being initiative** supported by EUR 200 million from the ESF+ and EUR 25 million from the ERDF. It combines services, professional support and improved local spaces to help adolescents thrive, stay engaged in education, and build confidence and resilience. The project aims to transform support for Italy's 11- to 18-year-olds through a network of multifunctional youth hubs designed to foster social inclusion, skills development, and emotional well-being. It has set up integrated service centres across the country, offering mentoring, psychological support, and extracurricular activities – while upgrading local infrastructure to create safe, accessible spaces for young people. Staffed by educators, psychologists, and social workers, the hubs aim to tackle school dropouts, reduce inequality, and empower adolescents in underserved communities.

Fifteen years ago, in response to the economic crisis, Hamburg introduced the **Weiterbildungsbonus** – a funding programme to help employees and self-employed individuals access professional training. Since then, it has helped over 24 600 people in developing their skills, securing jobs, and growing their businesses. The operation has had a lasting impact on the local workforce and economy. Many businesses use the funding to **upskill their teams, improve service quality, and secure their workforce** in competitive industries.

Thousands of Roma families in Slovakia face barriers to education, employment, and essential services. Many live in marginalised areas, where support is fragmented and difficult to access. **Development Teams I** is changing this by offering a **more coordinated and community-driven approach**. This project brings together different support services – community work, social fieldwork, and early childhood education. Bringing these efforts together, makes support more accessible and effective. One of the key successes of the project is the support it provides for young children entering education. Since its launch, the project has reached 16 000 people across 60 municipalities, helping them access new opportunities and essential support.

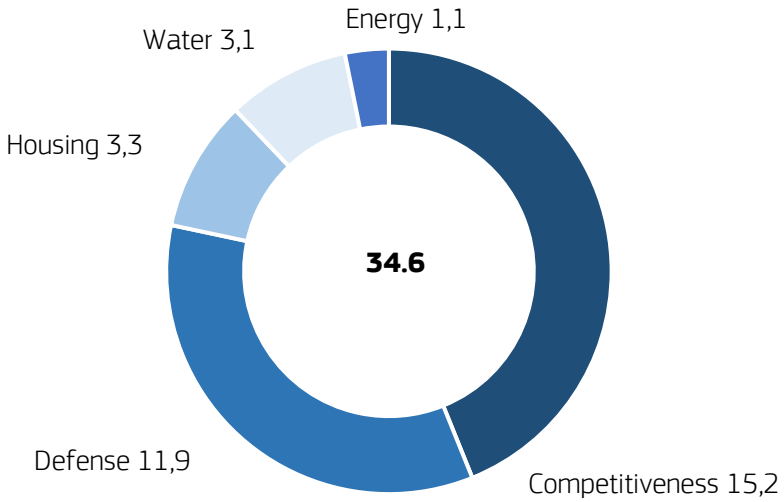
Red Salvia is a **social innovation initiative piloted in several Spanish regions**. The project seeks to improve the quality of life, social inclusion and **active ageing of people aged 65** and over who are at risk of vulnerability, social exclusion, unwanted loneliness or institutionalisation. Its mutual-support approach helps older people remain active and connected in their communities. Red Salvia also brings together organisations, researchers, public authorities and other stakeholders to develop scalable solutions that can inform future policies on ageing, inclusion and long-term care.

4.2. THE 2025 MID-TERM REVIEW OF COHESION POLICY

The 2025 mid-term review demonstrated that cohesion policy can be flexible and responsive while maintaining its core principles. The review[34] introduced incentives and flexibilities to align the policy with five emerging strategic priorities of the EU: (i) competitiveness, particularly in strategic technologies (including related skills development, also for industrial decarbonisation); (ii) defence, cybersecurity and civil preparedness (including skills development and military mobility); (iii) affordable and sustainable housing; (iv) water resilience; and (v) energy infrastructure. The review also introduced simplification to facilitate implementation, and flexibilities for strategic projects, including those awarded Seals of Excellence and IPCEIs. It did so while remaining voluntary and focused on long-term investment, grounded in cooperation with national and regional authorities.

The scale and scope of the reprogramming was significant, with EUR 34.6 billion reallocated to the strategic priorities. The reallocations made during the formal mid-term review process that concluded in December 2025 amounted to 9.4% of the EU cohesion policy allocation, with EUR 26.5 billion coming from the ERDF, EUR 3.4 billion from the Cohesion Fund, EUR 3.3 billion from the ESF+ and EUR 1.4 billion from the Just Transition Fund. In total, 186 cohesion programmes reallocated resources to the strategic priorities, with two thirds of those concerning regional programmes.[35]

Figure 8: Reallocations by strategic priority (EUR billion)



Source: Directorate-General for Regional and Urban Policy

Competitiveness received the largest share of redirected funding. More than 44% of the total amounts reprogrammed under the mid-term review (EUR 15.2 billion) was allocated to competitiveness, and 34% (EUR 11.9 billion) to defence and civil preparedness. Housing received EUR 3.3 billion, water resilience EUR 3.1 billion and energy EUR 1.1 billion. Almost all of the competitiveness reallocation went to critical technologies and industries under STEP

[34] Regulations (EU) 2025/1913 and Regulation (EU) 2025/1914.
[35] More information on the mid-term review, including a breakdown of reallocations per Member State under each strategic priority, can be found in the story on the cohesion open data platform.

to reduce technological dependencies on third countries, with most of the remainder allocated towards investments in skills linked to decarbonising industrial production.

The Mid-Term Review also provided tailored support for the Eastern border regions. Specific incentives were provided for Eastern border regions as part of the mid-term review in light of their unique challenges, enabling more than 80% of their cohesion policy programmes (18 out of the 22 programmes) to be amended. In total, EUR 5.6 billion were reprogrammed, with a focus on military mobility, critical technologies and the defence industry, while the eligibility period was extended to 2030 for 14 programmes.

The reallocation of resources towards the strategic priorities continues even following the conclusion of the formal mid-term review process. [36] Many of the incentives and flexibilities that were introduced for the mid-term review remain applicable until the end of the 2021-27 programming period. As a consequence, Member States and regions continue to programme resources towards the strategic priorities, with a further EUR 2.3 billion mobilised to date beyond the formal mid-term review process[37], including on-going amendments, highlighting the continued relevance of these priorities. Member States and regions are now urged to ensure swift and effective delivery of strategic priorities, mobilising high-quality projects and securing the necessary administrative capacity, as recommended in the 2026 European Semester

4.3. THE LONG-TERM MACROECONOMIC IMPACT OF COHESION POLICY.

Cohesion policy is estimated to have a sizeable impact both on aggregate EU GDP and in promoting convergence. The Commission estimates that the effect of the 2014–2020 and 2021–2027 programmes will raise aggregated EU-wide GDP by around 1% by 2030. Every euro invested in 2021–2027 is expected to generate cumulatively more than 3 euro of additional EU GDP 25 years after the start of the period. The effect is estimated to be considerably stronger in less developed regions, with the gap between the 10% richest and poorest of EU regions projected to narrow by more than 4%. These findings are consistent with academic literature, including both model simulations and recent counterfactual applications.

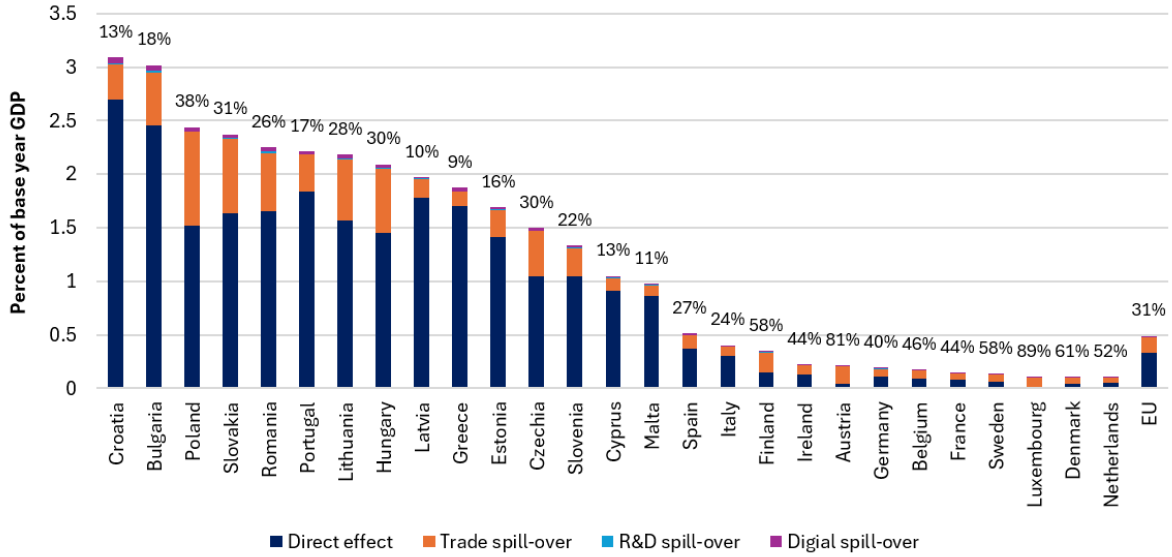
At the same time, the benefits of EU cohesion policy extend well beyond recipient regions and Member States. Around one third of the impact of the policy on EU GDP is estimated to benefit regions other than those where the money is spent via spillovers, mainly through trade, but also through digitalisation and the diffusion of knowledge (Figure 9). The magnitude of the spillover effect is comparable to that estimated for investment financed under the Recovery and Resilience Facility.[38] For example, for every euro Austria gains from cohesion policy investment in its territory, it gains another four euro from cohesion investment elsewhere given its close integration with large cohesion policy recipients in Eastern Europe.

[36] Many of the flexibilities and incentives introduced under the mid-term review (Regulation (EU) 2025/1914) are still applicable till the end of the programming period, hence the data presented on the scale and scope of the reprogramming remain subject to change. The MTR amendment process was still ongoing in Hungary at the time of finalisation of this report, which may also impact the final figures once the review is formally completed.

[37] Of which almost EUR 1 billion to affordable and sustainable housing. With national co-financing, this reprogramming increases the overall additional investment proposed for housing under cohesion policy programmes by EUR 4.7 billion, compared with the situation before the mid-term review.

[38] European Commission (2025), "*Economic Impacts of the Recovery and Resilience Facility: New Insights at Sectoral Level and the Case of Germany*", ECFIN Discussion Paper 221.

Figure 9: Long-run impact of cohesion policy on GDP: Direct effect and spillovers



Note: Figures above the bars indicate the share of the impact stemming from the three spillovers as opposed to the direct effect.
Source: REGIO-JRC RHOMOLO simulations.

Cohesion policy and the Recovery and Resilience Facility (RRF) have proven complementary. Cohesion policy provided long-term, place-based structural investment, while the RRF supported structural reforms and growth-enhancing investment which allowed to address recovery needs from the COVID-19 crisis. Furthermore, as RRF implementation progressed, the reforms it supported have had a positive impact on the framework conditions for investment under cohesion policy.

5. THE IMPACT OF NATIONAL AND SUBNATIONAL[39] POLICIES ON COHESION

Reducing regional disparities is a shared responsibility requiring close coordination between the EU, Member States and regions. The Report describes the important role of national policies in shaping territorial outcomes through national and subnational public investment programmes, territorial strategies and reforms. A careful assessment of the interplay between governance levels and of the impact of national policies at subnational level can improve the design of regional and local policies. Moreover, closer coordination between EU and national policies with regional and local impact measures also maximises the impact and additionality of EU policies.

Subnational governments carry out over half of public investment but many face financing constraints, especially in less developed regions and territories. In 2024, subnational expenditure across the EU accounted on average for around 35% of general government expenditure, while subnational own revenues (excluding grants from the central government) accounted for just 20% of total general government revenue. This vertical fiscal gap has widened since the early 2000s, a trend that has been most pronounced in smaller, less decentralised Member States where there is less embedded revenue-sharing than in federal systems. Due to their economic situation less developed regions and territories tend to face

[39] Subnational policies are those directly relevant to regional and local authorities, in accordance with the institutional and legal frameworks of Member States.

additional challenges to self-financing such as lower revenue capacity, higher per-capita service costs and limited debt-market access, which can lock them into a self-reinforcing cycle of low investment. In these regions, Cohesion Policy is a vital source of support and a necessary complement to national investment.

Subnational reforms can help address these existing challenges within each Member State's institutional and legal framework. Where financing constraints at regional or local level are hindering necessary public investment, reforms such as to inter-governmental transfers, financial management and budgeting can help. At the same time, tackling structural bottlenecks related to competitiveness, strategic planning and local public services provision could also increase the impact of public investment and policy delivery (Figure 10).

Figure 10: Typology of subnational reforms



Source: European Commission based on OECD, World Bank, national studies and government publications.

The importance of national and subnational policies for cohesion was recognised in the 2026 European Semester through a strengthened regional dimension. The 2026 European Semester included a deeper analysis of the bottlenecks to regional competitiveness and cohesion vis-à-vis previous years across a broad set of sectors, including innovation, business environment, administrative capacity, energy, transport, skills, social inclusion, labour markets and employment. In total, 74 country-specific recommendations (CSRs) spanning economic, social, fiscal, labour market and other sectoral policies had a regional and territorial dimension, and a further 9 specifically addressed the eastern border regions, underlining the significant role of regions and national and subnational reforms in achieving cohesion objectives.

6. COHESION POLICY IS BEING MODERNISED TO ADJUST TO A CHANGING WORLD

Cohesion policy must evolve in a dynamic and uncertain environment. As noted above, growing geopolitical tensions, a war on Europe's eastern border, industrial restructuring, technological change, climate change and emerging strategic priorities require a more adaptable policy framework. More flexibility is needed to tailor investment and reforms to local conditions, with fewer thematic requirements, while ensuring that support remains sufficiently focused on common European priorities.

Modernisation also requires closer alignment between regional, national and Union policies. Regional policy initiatives must be more closely coordinated with national and EU

frameworks to ensure local relevance, systemic impact and efficient public expenditure. Without such coordination, bottom-up initiatives risk fragmentation and inefficiency, particularly by weakening interregional and inter-sectoral linkages and delaying the emergence of economies of scale.[40] At the same time, national place-based policies can play an essential role in orchestrating regional development by aligning localised growth initiatives with overarching macroeconomic and industrial strategies.[41]

Support for both investments and reforms will be essential for lasting impact. Cohesion policy already requires cross-cutting and thematic policy frameworks that have provided supportive enabling conditions for investment. In future, supporting both long-term investments and reforms tailored to national, regional or territorial challenges can enhance the economic and social impact of EU, national or subnational initiatives even further. In this context, the 2026 European Semester's greater focus on the bottlenecks to regional competitiveness, cohesion and social convergence provides a strong basis for identifying such reforms.

Modernisation should also strengthen the mobilisation of external financing and crowding-in of private investment. Over the last two programming periods, Member States and regions have been making greater use of cohesion policy to crowd-in private and other external funding via financial instruments. In the 2014-2020 programming period, cohesion policy financial instruments achieved a leverage ratio above 3.8. The Commission's proposals for 2028-2034 offer further opportunities for such harnessing of resources for cohesion policy, drawing lessons, where relevant, from other recent innovative financial instruments using EU funding.

Further simplification is also required to enable faster delivery. Progress has been made during the last programming periods in streamlining cohesion policy processes through simplified delivery models (for example Financing-Not-Linked to Cost schemes). There is however scope for simplifying legislation further for authorities and beneficiaries alike and at all levels: EU, national, regional and local. The Commission proposals for 2028-2034 go in this direction, with a single rulebook, streamlining of programmes, stronger synergies between funds and a new delivery model focussing on performance with payments linked to the delivery of milestones and targets that will facilitate access to EU funding while preserving the financial interests of the Union.

7. CONCLUSION

Economic, social and territorial cohesion is a cornerstone of the EU and will remain so. Cohesion contributes to a strong single market and a competitive Union and embodies the common goal of giving every European, wherever they were born or live, the opportunity to thrive and to live a fulfilling life.

A more competitive Union depends on the contribution of all its regions and their integration into the single market. Europe's future depends on tapping the potential of every region and person, making fuller use of available resources, and raising productivity everywhere by encouraging frontier and applied innovation, the upgrading of existing

[40] European Commission, & Rodríguez-Pose, A. (2024). "*Forging a sustainable future together: Report of the High-Level Group on the Future of Cohesion Policy."* Publications Office of the European Union.
[41] OECD (2025), "*Place-Based Industrial Policy: Lessons for place transformation".*

technologies, and upskilling and reskilling workers. A more competitive Europe requires a broader territorial base of growth, stronger institutions at all relevant levels, and a place-based policy framework capable of turning diverse regional assets into durable convergence. Combining investment and reforms increases the economic and social impact of both EU and national policies, including by addressing regulatory and administrative bottlenecks that limit the effectiveness of public investment.

Cohesion policy is making a tangible contribution to the competitiveness of regions and the Union. As the EU's main long-term instrument for investment and growth and with its focus on less developed regions and territories, cohesion policy seeks to help every place contribute to the Union's productivity and competitiveness, and that no one is left behind. It is a precondition for sustainable, broadly shared growth, achieved through human capital and labour market participation, deeper innovation ecosystems, stronger public institutions and integrating territories into European transport and other networks.

Cohesion policy also supports the "right to stay": the principle that people should have the opportunity to work, live and build a future in the place they call home. This is particularly relevant for territories experiencing population decline, or at risk of it, often alongside economic stagnation or decline and weakening local economies. They are integral to the EU's economic and social fabric, alongside more dynamic metropolitan and capital regions.

The next multiannual financial framework is an opportunity to further modernise cohesion policy while maintaining its place-based approach and partnership principle. Cohesion policy has constantly evolved in the light of changing circumstances and will continue to do so. In the present changing global backdrop, its modernisation began with the medium-term review of the 2021-2027 cohesion policy and continued in the EU's 2028-2034 MFF proposal, including the National and Partnership Plans, which aims to promote synergies across policies, flexibility, simplification and support for both reforms and investment. At the same time, cohesion policy will continue to strengthen EU competitiveness and citizens' quality of life by mobilising the Union's economic and social potential more fully across all its regions and territories, in line with the institutional and legal frameworks of Member States.