

# Cohesion Policy beyond 2027: Insights on impact and governance

In its responsibility for coordinating the European Structural Funds in Germany, the Federal Ministry for Economic Affairs and Climate Action (BMWK) commissioned two studies on impact (to be published end of March) and governance (available [online](#)) of cohesion policy with the aim of providing impetus and ideas for the negotiations for the 2028 - 2034 funding period. The German federal government and the 'Länder' also recently published a [joint statement](#) on the future of European cohesion policy after 2027. This presents an important link for BMWK to connect the results of the two studies to the current policy debate on the future of cohesion policy. The aim of the event is to discuss the results of the two studies with representatives from politics, science and practice and derive ideas for the current debate on the future of cohesion policy on all levels.

## 1) Study “Evaluation of the European Structural Funds”

The study is conducted by a consortium consisting of GEFRA Münster, Ramboll Hamburg and ifo Dresden.

### Key insights from presentation

- With the ERDF programmes of the federal states, **investments (total eligible cost = public funds (EU + national and private funds)) totalling EUR 19 billion** (excluding Technical Assistance) were made by the beneficiaries in the 2014-2020 funding period (including REACT-EU funds of EUR 1.4 billion)
- To **characterise ERDF funding** in more detail, the measures were reorganised using growth and allocation theory. This primarily serves to make them accessible to a theory-based evaluation. In terms of implementation, the following investment volumes result in the three most important funding areas:
  - The **most important ERDF funding area** is support for **public research** (infrastructure, R&D projects involving public research institutions, measures to network science and industry), totalling EUR 4.5 billion (24%)
  - High levels of investment were also made in the areas of **direct support for companies** to strengthen **their research and innovation capabilities** (€3.1 billion) and **investment support** (incl. digitalisation €3.8 billion) (together around 36%)
  - A further EUR 1 billion (around 5%) was channelled into **non-investment funding** for SMEs and **business-related and tourism infrastructure**

### Implications of the reorganisation of ERDF funding:

- Almost **two-third of the investments** (66%) were made directly in **growth and employment policy areas**
- The proportion of investments for **climate and environmental protection** and for **regional and urban development** was around **one third** (34%)
- **75% of public funds** are used for investments in **public infrastructure and facilities** and are **not subsidies**
- **Only around 25% of public funds are subsidies** in an economic sense and are used to promote businesses
- At its **core, ERDF funding in Germany** is a programme to **increase public investment** in area of responsibility of the federal states

- The theoretical possibility of '**deadweight effects**' and thus the need for **counterfactual analyses** only exists for the sub-area of ERDF funding with a **subsidy character**

### Regional distribution of investments

- **Concentration of investment** in the structurally weaker federal states
- Per capita investment in **East Germany is 3.4 times** higher than in West Germany
- In relation to **GDP**, ERDF investments in **East Germany account for 0.21%**, in **West Germany** for **0.04%**
- Promotion of **R&D in East Germany** is **macroeconomically significant**: ERDF investments account for around **6% of R&D expenditure per year**, compared to **only 0.5% in West Germany**
- Within **East Germany**, the **highest funding** amounts per inhabitant (especially high R&D investments) can be observed in the **urban centres and economically stronger regions**
- In **West Germany**, **ERDF-funded investments** are increasingly being made in economically **weaker regions**

### Results and impacts

- The **principles of transparency and evaluation** of the programmes are **hallmarks of ERDF** funding, also in comparison to other funding programmes
- The **accompanying evaluation** of the ERDF programmes of the federal states has produced a **wide range of results** for the funding period. The **evaluations** are generally characterised by a **theory-based approach**. For the research project, **141 reports were included**
- **The ERDF** is characterised by **complex investment and infrastructure projects** with project durations of several years and **long impact delays**: the focus of the **accompanying evaluations** is more on **expected effects** and less on impacts that have already been realised
- **Evaluations** utilise a **variety of quantitative and qualitative methods** (analysis of monitoring data, document and literature analysis, surveys, expert interviews, case studies)
- **Empirical results** of the evaluations on the individual funding areas prove the **high effectiveness** of the measures and contributions to the respective specific objectives
- **Without ERDF funding**, many **public infrastructure projects would not be realised**. Associated indicators show direct funding effects (CO2 emissions saved, redeveloped brownfield sites, etc.)
- A **counterfactual analysis** carried out as part of the project for the corporate sector shows positive employment effects in ERDF-funded companies. The preliminary results show an **increase in employment in the subsidised companies of between 8% and 13%** and confirm existing empirical evidence. The **data is based on the subsidised companies** identified from the lists of projects of the federal states for the **entire funding period**. These were identified in the annual full survey of companies based in Germany conducted by the **Federal Employment Agency for the period 2012 - 2022** and compared with non-subsidised companies with the most identical company characteristics possible.

- **SMEs in the focus** of ERDF funding: **Financing restrictions for innovation and investment financing legitimise government grants** (subsidies, loans and participations)
- **Surveys on innovation and investment financing** show **high incentive effects** (no project realisation) as well as pull-forward and scaling-up effects (reduction in project volume, technological requirements, postponement)

## **Abstract**

The study “Evaluation of the European Structural Funds” provides a comprehensive analysis and assessment of the impact of ERDF funding in Germany in the period 2014 - 2020. Based on allocation and growth theory considerations, a detailed distinction was made in the study between growth and employment funding areas with direct business support and the funding of infrastructure and public (research) institutions on the one hand. On the other hand, funding areas for climate and environmental protection and sustainable urban development were considered. Around two-thirds of the public investment (EU and national) associated with the ERDF served growth and employment policy objectives: the first half of it focusing on strengthening the long-term innovation and competitiveness by supporting companies and the second half was spent to indirectly improve regional innovation and competitiveness by promoting public facilities and infrastructure. The final third of public investment was spent on climate and environmental protection and sustainable urban development.

From a regional perspective, there was a concentration of investment in the structurally weaker federal states. Investment per inhabitant in East Germany was more than three times higher than in West Germany. In relation to GDP, it amounted to 0.21% per year in East Germany, compared with just 0.04% in West Germany. The ERDF-funded R&D investments in East Germany were macroeconomically significant. It amounted to 6% of total R&D expenditure, while this share was only 0.5% in West Germany. Within East Germany, investment was concentrated in the economically stronger urban areas, while in West Germany the structurally weaker regions benefited more. As a result, ERDF investment in East Germany can be viewed in large parts as a growth-enhancing policy whereas in West Germany it supports mainly interregional equalization goals.

Financial instruments played a significant role in business development. They accounted for around a third of public investment in direct business promotion. Equity investments and repayable loans had a high leverage effect and triggered the use of external funds from other capital providers. Within the German venture capital sector, the ERDF was the most important public provider of capital for innovative start-ups and SMEs.

A special feature of the ERDF is the ongoing evaluation of the programmes and transparency of the funding. For the 2014-2020 funding period, extensive information is available from the accompanying evaluation, which dealt with the implementation, results and impacts as part of a theory-based approach. A variety of quantitative and qualitative methods were used. This study evaluated a total of 141 evaluations and conducted focus groups for funding areas for climate and environmental protection and sustainable urban development. Overall, the systematic comparison of the results of the evaluations demonstrated a high level of effectiveness of the implemented measures in relation to the respective specific objectives. In addition, an extensive counterfactual analysis carried out as part of this project for the corporate sector with around 7,600 funded firms and a control group with 2.8 million firms shows positive employment effects in ERDF-funded companies. The preliminary results show an increase in employment in the subsidised companies

between 8% and 13% and confirm existing empirical evidence. The data is based on the subsidised companies identified from the lists of projects of the federal states for the entire funding period. These were identified in the annual full survey of companies based in Germany conducted by the Federal Employment Agency for the period 2012 - 2022 and compared with non-subsidised companies with the most identical company characteristics possible. By focusing on innovation-oriented start-ups and SMEs, the ERDF mitigated existing financial restrictions and triggered high incentive effects for the realization of start-up and innovation projects as well as pull-forward and expansion effects.

## **2) Study “Governance and implementation of the European Structural Funds with a view to their reorientation after 2027”**

The study was conducted by a consortium consisting of DLR Projektträger, Prognos AG and Taurus Eco Consulting GmbH.

### **Key insights from presentation**

- Regional innovation strategies for smart specialisation (RIS3) are of central importance for the governance of cohesion policy
- Cohesion policy has developed into a comprehensive instrument aimed at reducing regional disparities and promoting sustainable development
- The integrative approach of the RIS3 strategies is used to strengthen the innovation potential of the regions and can at the same time support the twin transition
- The "territorial approach", which addresses the specific needs and strengths of the sub-regional level, is particularly important. In order to increase their effectiveness, targeted interventionism based on the Just Transition Fund (JTF) could be implemented
- Cohesion policy should be more closely integrated with other EU programmes such as Horizon Europe in order to create synergies
- Increased interregional co-operation could increase the impact of the ERDF and promote knowledge and technology transfer; initiatives such as Interreg and the Partnership for Regional Innovation (PRI) can be pursued further
- Linking cohesion policy with structural reforms can increase the growth potential of regions. This requires a suitable governance model and close cooperation at all political levels.
- Implementation-wise, innovative approaches such as scaled funding should be developed in order to promote risky, transformative projects.
- 17 options for action are derived in the study, building on proven strengths of cohesion policy - programme design by the regions, partnership with regional stakeholders and multi-level governance
- The options show at the same time scope for action for more strategic, targeted and simplified implementation.
  - Options to optimize existing strategies
  - Recommendations for the future design of Cohesion Policy's target architecture
  - Strategic development in the fields of innovation and sustainability
  - Link cohesion policy to structural reforms

- Place-based approach to strengthen the European regions and options for more interregional cooperation
- Options for a simplified Implementation, e.g. through digitalisation, simplified cost options, experimental approaches and Increased public awareness for projects supported by the ERDF

## **Abstract**

The study used a participatory approach to reflect on relevant issues relating to the implementation, steering and governance of the European Structural Funds, especially regarding the ERDF. Based on this, the aim of the study was to make recommendations for their further development in the legislative package for the 2028-2034 funding period.

All European regions are facing the challenge of a "twin transition" towards a more sustainable and digital economy. A key issue here is governance, i.e. the decision-making and implementation process of political measures at different levels - from the EU to national, regional and local governments. An important component is the partnership principle, in which regional players from administration, business and civil society are involved. In Germany, the focus of the ERDF is particularly on goals 1 (a smarter Europe) and 2 (a greener, CO<sub>2</sub>-free Europe). The aim of goal 1 is to strengthen the innovative power of the regions in order to promote growth and social cohesion. The regional innovation strategies for smart specialisation (RIS3) are of central importance for this. Goal 2, on the other hand, pursues the European Green Deal, which aims to promote a resource-efficient and competitive economy while also achieving climate protection and environmental goals. A large proportion of ERDF funding is invested in projects that support the Green Deal.

Cohesion policy has developed into a comprehensive instrument aimed at reducing regional disparities and promoting sustainable development. The integrative approach of the RIS3 strategies is used to strengthen the innovation potential of the regions and at the same time support transformations. The role of RIS3 can be strengthened to serve as the central strategic foundation for regional policy, with a focus on transformation. The "territorial approach", which addresses the specific needs and strengths of each region, is particularly important. This includes instruments such as integrated territorial investment (ITI) and community-led local development (CLLD), which are already being used in Germany. However, these instruments require time-consuming strategy processes and face limited resources. In order to increase their effectiveness, targeted interventionism based on the model of the Just Transition Fund (JTF) should guide the strategic planning and implementation of these instruments in future. Cohesion policy must also be more closely integrated with other EU programmes such as Horizon Europe in order to create synergies. In Germany, increased interregional co-operation could increase the impact of the ERDF and promote knowledge and technology transfer. This could be further supported by initiatives such as Interreg and the Partnership for Regional Innovation (PRI). Linking cohesion policy with structural reforms can increase the growth potential of regions. This requires a suitable governance model and close cooperation at all political levels. In addition, innovative approaches such as scaled funding should be applied in order to promote risky, transformative projects.

17 options for action are derived in the study. These build on the proven strengths of cohesion policy - programme design by the regions, partnership with regional stakeholders and multi-level governance - and at the same time show scope for action for more strategic, targeted and simplified implementation. A broad range of topics is covered: options to optimize existing strategies and recommendations for the future design of Cohesion Policy's

target architecture. Special attention is given to the strategic development in the fields of innovation and sustainability. Regarding the implementation, the study explored ways to link cohesion policy to structural reforms. The place-based approach was considered in order to strengthen the European regions, e.g. through territorial Instruments, Inter-regional cooperation and new approaches to support the partnership principle. Furthermore, the study gave attention to options for a simplified Implementation, e.g. through digitalisation, simplified cost options, experimental approaches and increased public awareness for projects supported by the ERDF.