

# Budgetary Implications of the Design and Implementation of the Proposed National and Regional Partnership Plans

## KEY FINDINGS

### Panel 1

The proposed 2028–2034 MFF shifts EU funding governance toward a more flexible, policy-driven and performance-based model, inspired by both the Recovery and Resilience facility (RRF) and the evolution of cohesion policy.

Conditionalities are useful, but they work best when they are proportionate, clearly defined, and focused on legality, institutional capacity, and delivery rather than formal compliance alone.

The RRF experience exposed major weaknesses in transparency, scrutiny, verification, and traceability, especially because performance-based delivery can reduce Parliament's, the Court of Auditors', and the public's ability to monitor spending. Without significant improvements in the control system, these weaknesses might be replicated in the NRPPs.

The proposed model, as in the RRF, relies on Member States' declarations that milestones and targets have been fulfilled, without requiring systematic ex-ante verification by the Commission. This approach increases risks to the EU budget, also because there are current examples from RRF showing that some declared milestones and targets were not satisfactorily met.

The overall lesson from the RRF is that performance-based funding can only work where objectives are clear, outputs are measurable, and accountability arrangements are strong. Where those conditions are absent, the model risks becoming a formal exercise that creates an appearance of precision without delivering genuine policy impact.

### Panel 2

The 2028–2034 MFF proposals elevate budgetary flexibility as the central organising principle, enabling faster responses to crises and shifting priorities. Yet, excessive flexibility risks systematically reducing predictability for long-term territorial investments.

A substantial non-programmed flexibility amount and an earlier mid-term review allow reorientation in crises and faster adjustments, but the enhanced review mechanism may increase administrative burden and restrict the evidence base available for adjustments.

### Panel 3

Funding dedicated to employment and social objectives has long been an important part of the MFF, and Cohesion Policy is one of the EU's main instruments that contribute to tackling socio-economic and demographic challenges at territorial level.

The NRPP proposal provides that a minimum of 14% of NRPP allocations must be devoted to social objectives. Despite this, some experts estimate that spending on employment, social and related programmes will decrease in both relative and absolute terms. Moreover, social priorities risk competing with other investment priorities.



The proposed legislative framework includes demographic change among the 28 specific objectives of the new European Fund. Demographic change, ageing and a shrinking labour force, migration and intra-EU brain drain can have an impact on labour markets, productivity, welfare, healthcare and education systems, and can contribute to political discontent threatening democratic values and support for reforms. Demographic change is identified as major challenge by 26 Member States in their Cohesion Policy Partnership Agreements for the 2021-27 period.

The European Social Fund Plus can support demographic transition, whilst the Regional Development and Cohesion Fund proposal included in the MFF 2028-2034 keeps the reference to regions with demographic handicaps and applies an integrated approach to demographic challenges.

Milestones and indicators should take into account particularities of remote, rural and sparsely populated regions, and their needs should be considered in the design of Financing Not Linked to Costs (FNLC) schemes.

This briefing provided background information for the public hearing organised by BUDG on 3<sup>rd</sup> June 2026, entitled 'NRPPs and lessons from the RRF delivery model: long-term EU resilience and social cohesion in the context of demographic challenges'. The structure of the briefing mirrors the three distinct thematic panels of the hearing: conditionalities and the Recovery and Resilience Facility (RRF): lessons for the NRPP delivery model; flexibility versus predictability: how to guarantee long-term investments with the new flexibility; demographic challenges as an example of the need for predictability.

## Panel I: Conditionalities and the RRF: lessons for the NRPP delivery model

Drawing on experience from earlier programming periods, and in particular from cohesion policy and the RRF, the proposal for the 2028–2034 multiannual financial framework (MFF) seeks to reshape the governance of EU funding. According to the European Commission, these changes are intended to support a more flexible, policy-driven budget aligned with the Union's strategic priorities.

Whilst result orientation has been piloted and improved in the policy framework for several periods, it is the 2014–2020 MFF that introduced *ex-ante* conditionalities (later called enabling conditions) in cohesion policy, designed to strengthen the effectiveness and coherence of investments under the 2021–2027 MFF. At the same time, the RRF operates on a performance-based model built around the fulfilment of milestones and targets.

**In the [Commission's 2025 proposal](#) for the next MFF, these approaches appear to be converging.** The proposed national and regional partnership plans (NRPPs) follow the logic of the RRF's national recovery and resilience plans, combining reform and investment measures linked to milestones and targets. Enabling conditions have been largely reduced to what now is referred to as horizontal conditions, i.e. compliance with the EU Charter of Fundamental Rights and the rule of law in the NRPPs (laid down in Articles 8 and 9 of the proposal), while other principles such as gender equality and "do no significant harm" would apply across all EU funds and programmes, not only to the NRPPs. The [draft opinion](#) of the CONT Committee on the NRPP proposal even reinforces horizontal conditions related to the United Nations Convention on the rights of persons with disabilities (UNCPRD) and the EU acquis on the protection of the EU financial interests.

The key lesson from recent experience is that conditionalities can be a useful governance tool, but only when they are designed carefully and proportionately. Their main added value is that they link EU funding to **clear requirements on legality, institutional capacity, policy coherence and delivery**. In practice, they help ensure that money is not only spent but spent under the right conditions and in a way that supports broader EU objectives. This is why they have remained central across successive budgetary frameworks, even as their form has evolved.

Experience with cohesion policy shows that *ex-ante* conditionalities, and later enabling conditions, **can improve the investment environment** by pushing Member States to put in place the necessary strategic, legal and administrative frameworks before funding is released. They have helped accelerate the transposition and implementation of EU law, strengthen planning, and improve coherence between funding

and policy goals. However, they also come with a cost. Since they operate as binary prerequisites, failure to meet them can delay reimbursement and **create significant administrative pressure**, especially when compliance has to be demonstrated and maintained over time.

The Recovery and Resilience Facility introduced a different model, based on [milestones and targets](#). That approach has clear advantages: it creates stronger incentives for delivery, makes progress easier to track, and links disbursement more directly to reform and investment output. It also allowed the EU to support reforms that are difficult to finance under a traditional cost-based model. At the same time, the RRF experience has shown that **performance-based governance can become rigid**. Milestones and targets can be difficult to compare across Member States, may be defined too vaguely in some cases, and require substantial verification work before payments are made.

A further lesson is that conditionalities must be clearly distinguished from one another. The [ECA's findings on double funding](#) show that when similar measures appear under different funding instruments without clear separation, **the risk of overlap increases**. This is particularly relevant for zero-cost reforms and system-level measures, where the boundary between enabling conditions and milestones can become blurred. For future budget design, this suggests the need for better coordination across instruments, clearer attribution rules, and stronger controls to prevent duplication.

Another important lesson concerns governance. Conditionalities work best when they support accountability without undermining partnership and democratic oversight. The European Parliament has repeatedly [stressed](#) that conditionalities are essential safeguards for the Union budget, but it has also warned against **excessive centralisation and administrative burden**. In particular, it has argued that future funding models should preserve the role of regional and local authorities, avoid unnecessary complexity, and combine performance-based elements with cost-based financing where appropriate. That balance matters because a system that is too centralised or too technically demanding may reduce ownership and weaken implementation on the ground.

As explained in an earlier [BUDG briefing \(Section 3\)](#), regarding institutional roles, there is little to no room left for Parliament when it comes to the decisions about non-fulfilment, with Article 9(8) merely laying down an obligation to inform Parliament in relation to the rule of law condition. Article 8 covering compliance with the Charter of Fundamental Rights does not even contain this obligation.

[Against this background](#), it seems that **conditionalities are most effective when they are used selectively and with a clear purpose**. System-level conditions are best suited to ensuring legal and institutional readiness, while milestones and targets are best suited to reform delivery and measurable implementation. The challenge for the next budgetary framework is not whether to use conditionalities, but how to use them in a way that protects the budget, supports reform, and keeps implementation manageable. **In other words, the lesson is not to abandon conditionalities, but to make them more coherent, more outcome-oriented, and less burdensome.**

## Lessons from the RRF on Performance-Based Elements

As already mentioned, the NRPP proposal embeds a performance-oriented approach into EU shared management spending, making Financing Not Linked to Costs (FNLC) and Simplified Cost Options (SCOs) the default funding models, including in many cases for beneficiaries, as specified in Article 78 of the NRPP proposal. This approach provides that each Member State submits a **national plan outlining the planned reform and investment measures** designed to address the identified challenges. As with the RRF, the implementation of each measure is assessed based on the successful fulfilment of the agreed milestones and targets.

A recent CONT [study](#) (hereinafter referred to as 'CONT Study on Transparency and oversight' ) provides analysis on the Commission's move to a performance-based approach. **The key findings identified in this study can be summarised as follows:**

- The RRF's exceptionally wide scope, combined with its strict confidentiality regime and performance-based delivery mode, made it **difficult** for the European Parliament, the Court of Auditors, and the public **to exercise meaningful scrutiny over how the funds were used**.
- The implementation of the RRF depends on the ability to define milestones and targets in a verifiable way. This has proved particularly difficult in the case of reforms, which are inherently hard to quantify and have often been translated into procedural milestones that bear only a limited relationship to actual performance.
- Based on the RRF experience, national plans do not appear to be an efficient instrument for promoting European priorities that are global or Europe-wide in nature, especially where those priorities require a clear EU-level focus rather than fragmented national implementation.
- The Commission's MFF proposal **fails to address the core problems of the RRF model**. It **does not define EU priorities with sufficient clarity**, and the legislative framework does not contain genuine requirements capable of effectively steering national plans. As a result, too much discretion remains with national governments and the Commission. The shift to performance-based funding fundamentally alters what the management of EU funds consists of, creating new risks for the financial interests of the Union.
- Although the RRF regulation repeatedly referred to consultation with regional authorities and other stakeholders, the confidentiality of the process, the tight timeframes, and the centralised negotiation structure meant that such consultations were often superficial.
- The overall lesson from the RRF is that performance-based funding can only work where objectives are clear, outputs are measurable, and accountability arrangements are strong. Where those conditions are absent, the model risks becoming a formal exercise that creates an appearance of precision without delivering genuine policy impact.

According to [ECA's opinion](#) on the Commission's NRPP proposal, one of the main issues lies in the absence of clear, harmonised methodologies for assessing national plans, payment requests, and reported achievements. This could create **risks of divergent and vague interpretations and uneven treatment across Member States**. Key concepts, such as "double funding", remain insufficiently defined, weakening the overall robustness of the framework. According to the opinion, major weaknesses that affect the RRF have not been addressed in the NRPP proposal, in particular:

- The model relies heavily on Member States' declarations that milestones and targets have been fulfilled, without requiring systematic ex-ante verification by the Commission. This approach increases risks to the EU budget, also because there are several audit findings about the RRF showing that some declared achievements were not satisfactorily met. The possibility to accept partially fulfilled or deviating milestones introduces discretion into the process, reducing legal certainty and weakening incentives for full compliance. The Commission depends largely on national management declarations and audit systems, despite recurring deficiencies in Member States' control frameworks. Requirements relating to compliance with EU law—particularly in areas such as public procurement and state aid—are not sufficiently clear, and non-compliance does not systematically lead to financial consequences. This undermines both accountability and the protection of the Union's financial interests.
- The proposed approach also entails a significant reliance on the single audit model, which risks overestimating the reliability of national audit authorities. Past audit work has highlighted limitations in these systems, raising concerns about the Commission's ability to provide robust assurance to the discharge authority. The scale of adaptation required by this new delivery model appears to have been underestimated. Member States need to establish new management, control, and IT systems, which create additional administrative burdens instead of streamlining the process.

Overall, the ECA opinion affirms that **the RRF experience highlights the need for a more robust framework, based on clear rules, harmonised methodologies, stronger Commission oversight, effective**

**enforcement mechanisms, and full traceability of funds.** These elements are essential to ensure sound financial management and to safeguard the Union's financial interests.

In its [interim report](#) on the MFF, Parliament raises the same concerns too, highlighting that the proposed approach sacrifices transparency and control in the name of efficiency, thereby compromising programme quality and democratic accountability, and undermining Parliament's role as the budgetary and discharge authority. It also expresses concerns regarding the massive use of financing not linked to costs, underlining that data on incurred costs must remain available in order to verify the efficiency and 'value for money' of the EU budget.

In addition, the interim report stresses that the proposed NRPP Regulation, which merges multiple policies into a single plan per Member State, creates significant uncertainty regarding funding predictability for final beneficiaries. It also introduces unnecessary competition for financial resources across beneficiaries and policy areas, while politicising the allocation of EU funds and increasing complexity through trade-offs between competing priorities.

The report also highlights concerns about excessive centralisation, which challenges the principles of subsidiarity and proportionality, marginalises regional and local authorities and relevant stakeholders in priority-setting, and ultimately weakens multilevel governance and the territorial dimension of EU spending.

## Panel II: Flexibility versus predictability: how to guarantee long-term investments with the new flexibility

The new proposals elevate the concept of budgetary flexibility—the ability to adjust financial allocations and reprogramme resources in response to changing circumstances— as a central organising principle. A study for the REGI Committee (hereinafter referred to as 'REGI Study on Flexibility and Simplification') examines the likely effects of the proposed new framework on simplification and flexibility. While flexibility could enable the EU and Member States to react more swiftly to crises and evolving priorities, it also **diminishes predictability** for long-term territorial investments.

The European Parliament [has strongly advocated](#) for increased flexibility in the next multiannual financial framework, and the post-2027 MFF proposals do include new flexibility mechanisms, though with a governance structure that would give the Commission much greater discretion to redirect funds and adjust priorities unilaterally. The interim report stresses that, while flexibility is necessary, it should be subject to clear limits, transparency, and full parliamentary oversight; for this reason, the report sets out constraints that should apply to that flexibility.

Flexibility is indeed considered by the Commission as a crucial element of their proposed post-2027 MFF package, including **the NRPP proposal, that includes a substantial flexibility amount** (Article 14), that will not be programmed upfront. Its purpose is to offer increased flexibility without sudden changes in rules during the period. This amount should allow reorientation of funding in case of unforeseen events (Article 34), and fast(er) changes following a mid-term review in 2031 (Article 25). Article 34 lays down rules regarding amendments to NRPPs in crisis situations and describes a **cascade mechanism** for the use of different sources (including the newly created EU Facility) of crisis support depending on the severity of the situation, as explained in Section 4 of an earlier [BUDG briefing](#).

It is true that **it is increasingly relevant for Member States to be able to respond to unforeseen circumstances**, and the 2014–2020 and 2021–2027 periods have seen numerous amendments to the legislative framework to meet this need, the latest being the mid-term review of cohesion policy in 2025. According to a [study](#) for the EMPL [Committee](#) on mapping and analysing the support to employment and social policies in the proposals for the 2028–2034 (hereinafter referred to as 'EMPL study'), more than two-thirds of Managing Authorities find that 2021–2027 programmes are responsive to changes, at the same time many also think that **the amendments necessary to implement the mid-term review are subject to a lengthy administrative process**. Thus, the new proposed flexibility, as conceived by the Commission, could bring about an improvement of the mid-term review process.

The REGI study on Flexibility and simplification distinguishes between budgetary flexibility (changes in financial plans, allocations and implementation arrangements) and programming flexibility (changes in priorities and territorial targeting), and argues that the proposed NRPP framework would introduce greater flexibility both in budgetary and programming terms through the above-mentioned flexibility amount, a stronger mid-term review mechanism and more adaptable programming arrangements. Regarding **budgetary flexibility**, the study notes that the single integrated plan would make the system more flexible, but also would give **a stronger role to the Commission** during planning. The mid-term review is proposed to take place earlier than is currently the case, it is also broader and more important for reprogramming, which might increase administrative burden, and limits the scope of available evidence to inform adjustments. Regarding **programming flexibility**, the study finds that the NRPP proposal provides Member States with greater discretion in setting priorities and allocating resources. In addition, the following should be taken into consideration:

- it could reduce predictability for long-term investment planning and create additional uncertainty for national and regional authorities (according to a recent study for the REGI Committee (hereinafter referred to as 'REGI Study on Improving Essential Services'), this trade-off is particularly present for less developed, remote and sparsely populated regions);
- **uncertainty is more likely to affect reforms that require long-term investments, such as social and demographic reforms;**
- greater flexibility may come at the expense of territorial targeting and strategic focus.

On a final note, the proposed framework could create **a stronger link between flexibility and performance-based delivery**. As explained earlier, the new model would make the achievement of milestones and targets the main trigger for EU payments. The mid-term review would also become more important, as it would allow adjustments to these milestones and targets. The REGI study on Flexibility and simplification notes that this shift would increase the importance (and the associated workload/administrative burden) of indicator design, target-setting, monitoring and evaluation. The study concludes that the integrated Plan-level review, the flexibility amount, the stronger performance-payment link, and the addition of stronger horizontal conditionality (compliance with Rule of Law and Charter of Fundamental Rights requirements) altogether may make funding flows more dependent on performance verification. There could be, however, greater emphasis on compliance, and overall, a 'more interventionist system' (i.e. more EU-level control of funding decisions) than in 2021–2027.

### Panel III: Demographic challenges as an example of the need for predictability

#### Addressing structural challenges under the new model (long-term resilience, social cohesion, demographic change)

A recent [study](#) for the REGI Committee (hereinafter referred to as 'REGI Study on Strategies to address social and economic challenges') provides analysis about the **main challenges** at national and regional level in the EU, including socio-economic issues. It shows that, despite all the efforts to reduce regional disparities within the EU and after decades of convergence that slowed down and even reversed with the onset of the 2008 economic crisis, **there remain considerable economic, social and territorial inequalities across regions**. Events like the Covid-19 pandemic, the war in Ukraine, together with interlinked global megatrends such as digitalisation, climate change (and green transition policies), demographic challenges, resource scarcity and urbanisation have also had and will continue to have strong socio-economic and territorial effects in the EU. **Demographic change, the rapidly ageing population and shrinking labour force** will require adjustments, and represent a major challenge particularly in Eastern and Mediterranean Member States.

The main employment and social challenges in the EU, identified by the study authors are:

- **Employment:** persisting labour market inequalities both with regard to access to employment and the quality of available jobs; significant differences in employment across and within Member States, as well as significant effects of digitalisation and AI on the world of work. (Those facing higher

barriers to entering the labour market and to quality employment are: women, young people, persons with a foreign or minority ethnic origin and people with a disability.);

- **Education and skills shortages:** digital skills and transversal skills are required, that are not easily replaceable by technology and are fundamental for adaptation to new technologies. Demand for technical and specialist skills remains high, requiring constant investment in training. In the EU, the share of people with a tertiary education has been increasing; nevertheless, the share of people with very low educational attainment level remains high, whereas adult participation in education and training remains low. Skills shortages and mismatches are increasing in the EU and will likely further increase due to digitalisation and the green transition;
- **Poverty and social exclusion:** the number of people at risk of poverty or social exclusion decreased between the 2012 peak and 2019, increased due to the COVID-19 pandemic and has remained stable since. Around one-fifth of the population in the EU is considered to be at risk of poverty (there are wide disparities across and within Member States, and rates are high among vulnerable groups, such as single-parent women, low-qualified individuals, migrants and ethnic minorities, children and young people). Poverty reduction remains thus one of the most critical social objectives.

When it comes to the role of the EU in addressing these issues, the REGI Study on Strategies to address social and economic challenges points to **Cohesion Policy as one of the EU's main instruments that contribute to tackling socio-economic and demographic challenges at territorial level:** the total resources allocated to intervention fields with expected effects on socio-economic challenges (excluding those related to the green and energy transition) represented 84 % of total planned allocations in 2014-2020, and 72 % in 2021-2027 (with substantial differences across Member States). Co-financed investments have stimulated long-term growth and competitiveness, created employment, and improved human capital through training and education, social inclusion and poverty reduction.

### Social issues in the NRPP proposal

Funding dedicated to **employment and social objectives has long been an important part of the EU's multi-annual financial frameworks**, and it is to undergo a **significant structural shift** in the proposed 2028-2034 MFF. A recent [study](#) for the REGI Committee (hereinafter referred to as 'REGI study on Navigating the European Commission's MFF Proposal') finds that, in broad terms, the special objectives laid down in the 2021-2027 cohesion policy framework are retained in the NRPP proposal, including those related to social cohesion.

Nevertheless, a recent [study](#) requested by the EMPL committee (hereinafter referred to as 'EMPL study'), finds that the **biggest change** for social and employment policy is the grouping of programmes with spending most relevant for social issues (European Social Fund, European Regional Development Funds and Just Transition Fund into the NRPPs. As part of the newly created European Fund, the **ESF is proposed not to have a dedicated budget line**, but at the same time is supposed to support more priorities that currently is the case. Overall, under the new NRPP Fund, **social priorities will be in competition with other priorities** such as infrastructure, industrial transition and democratic resilience. The authors conclude that 'priorities at risk of losing prominence include gender equality, the just transition and social dialogue'. In addition, thematic concentration provisions on issues such as social inclusion (25 %), child poverty (5 %), and youth employment (12.5 %) would no longer exist, resulting in the removing of 'important protections for the most vulnerable groups' and weakening of 'the visibility of social spending within national plans'. **The integration of the JTF into the NRPPs could lead to less support for regions most affected by the green transition.**

The NRPP proposal (Article 10(5)) includes **a minimum target of 14 % of NRPP allocations** (excluding the Common Agricultural Policy) that must be devoted to social objectives (Member States can thus allocate more), with the Commission estimating it to amount to around EUR 100 billion for 2028-2034 (including a loan component from a new Catalyst Europe Fund). **Despite this earmarking**, the EMPL study estimates that 'spending on employment, social and related programmes in the next MFF will fall in both relative and absolute terms as compared to the current MFF. Grants for social spending are likely to fall from approximately 12.5 % to around 7.8 %, equivalent to EUR 79.9bn in current prices.' As regards the earmarking

itself, the REGI study on Navigating the European Commission's MFF Proposal finds that some experts welcome the fact that different types of interventions can be combined to reach the threshold (e.g. investments in social infrastructure, reforms and support to services), while others advocate a careful review of the social coefficients assigned to interventions in the Performance Framework Regulation, and warn of situations where Member States meet the 14 % target mainly through infrastructure investments or reforms, rather than direct social interventions.

The EMPL study also analysed governance aspects. The authors expect the **performance-based budgeting methodology to be more challenging for social policies than for other areas**, because 'social transformations are slow-acting and hard to quantify; often the most that can be assessed is direct outputs, not the results of these outputs, let alone longer-term impacts', or because there are factors beyond the control of programme managers that may affect what can be achieved with spending. **How social 'performance', milestones, targets and indicators will be defined is crucial.**

A recent [briefing](#) produced for the BUDG committee underline that the Performance Framework Regulation, the vehicle for monitoring the delivery of the new targets, could easily become a box-ticking exercise rather than a genuine tool for measuring EU performance, especially since Member States would have broad flexibility in how they meet the required percentages.

Moreover, the difficulties of adapting to the radically new model **might have been underestimated** and it might add a new layer of difficulty for social actors who already can hardly cope with EU procedures. Finally, the centralised new model gives a key role to the Commission and the Member States, and it potentially sidelines the Parliament, as well as social partners and civil society, and may lead to **dilution of EU added value in favour of renationalisation.**

### Demographic challenges, and demographic issues in the NRPP proposal

The REGI Study on Strategies to address social and economic challenges describes three main dimensions linked to demographic change:

- **Ageing:** ageing is brought about by a combination of factors - fertility rates persistently below replacement levels for decades, life expectancies among the world's highest, a declining share of children and the share of the working age population alongside an increasing share of older people in the EU-27. An ageing and shrinking workforce negatively impacts productivity and innovative capacity, and puts pressure on pension and care systems. What is needed is the support of labour participation and a longer working life, thus the need for actions to facilitate access to employment and job stability also for older employees, through targeted training and work-life balance measures;
- **Migration flows and intra-EU mobility:** migration from outside the EU could compensate a declining working-age population, if well managed, but the integration of migrants presents both challenges and opportunities. Intra-EU mobility may result in depopulation and brain drain, especially in marginal and rural areas, limiting their growth-potential;
- **Brain drain:** most working-age EU citizens living in another EU country come from Balkan countries, Eastern Europe, Baltic and Southern Europe countries. The study shows that 'In many regions, brain drain and the resulting shortage of individuals with tertiary education hamper economic growth (...).' Rural regions, peripheral areas and regions undergoing industrial transitions are particularly affected.

The authors conclude that, while migration can and has acted as a buffer against the natural decline, it has not fully counterbalanced population losses in many regions. There are diverse specific situations: metropolitan regions see high levels of immigration and population growth, whereas rural and remote areas are facing emigration and depopulation.

A recent study for the [AGRI Committee](#), analysing generational change in agriculture, highlights that demographic decline and resulting worsening quality of life are among the reasons why young farmers need support, which, in rural areas, should be combined with investments in essential services and their accessibility, and in the broader regional economic fabric.

As mentioned above, **there is an impact on labour markets, productivity, welfare, healthcare and education systems.** Regions trapped in vicious circles of low talent development, low shares of people with tertiary education, a shrinking/ageing workforce, and economic stagnation and marginalisation could show increased **political discontent** threatening democratic values and support for reforms. The REGI Study on Improving Essential Services adds to this that the 'demographic imbalance contributes to low investment, labour shortages and declining living standards, posing significant challenges to regional development and vitality. Population decline and out-migration raise the costs of service provision, shrink the local tax base and deepen skill shortages.' Thus **pursuing the balance between natural population changes and migration is crucial for both economic growth and social stability.**

These two REGI studies also describe **how Cohesion policy has addressed demographic challenges. In the 2021-2027 programming period, 26 Member States have identified demographic change as a major challenge in their Partnership Agreements.** The Cohesion Policy regulatory framework for 2021-2027 recognises the importance of this issue and of an integrated approach and has thus allowed the ESF+ and ERDF to provide support to priorities such as services and facilities related to ageing, childcare and tackling migration challenges. There are also other complementary policy initiatives such as the [Talent Booster Mechanism](#) (launched in 2023), aimed at supporting regions in training, retaining, and attracting people, as part of broader efforts to tackle climate change, with tailor-made regional solutions and utilising existing EU funds and initiatives.

In 2026, and aligned with findings in the [Letta Report](#), the Commission launched the 'Right to stay' Strategy aimed at encouraging people stay and construct their lives in places 'they call home', rather than being forced by economic necessity (or by the lack of essential services) to relocate. (A 2025 JRC [report](#) offers deeper insight into the demographic elements of the 'right to stay' concept.)

The NRPP proposal, in Article 3, lays down the specific objectives of the new Fund, including 'addressing the challenges of demographic change across the EU, which include labour shortages and disparities between generations and regions'. Article 5 of the proposal establishing the European Social Fund lays down provisions for support for demographic transition, which gives the option to Member States to include chapters dedicated to addressing challenges stemming from the 'demographic transition' (the 9<sup>th</sup> report on Cohesion Policy dedicates a [full chapter](#) to this topic) in their Plans. The proposal establishing the European Fund for Regional Development including for European Territorial Cooperation Interreg) and the Cohesion Fund, in Article 4 on Disadvantaged areas, keeps the reference to regions with demographic handicaps to which Member States are required to pay special attention, and refers to demographic challenges to be addressed through an integrated approach.

The REGI Study on Improving Essential Services warns that, in the context of performance-based financing, **milestones and indicators must take into account the particularities of remote, rural and sparsely populated regions,** because in these areas low population density and geographic constraints can make service delivery costlier. Targets based only on population coverage may discourage investment in such areas. Furthermore, the study warns that rural, remote or otherwise constrained regions can typically lack local capacities, and may thus have disadvantages in accessing EU support. **Their needs should be considered in the design of Financing Not Linked to Costs (FNLC) schemes** (territorialised milestones and targets or other forms of territorial earmarking) to avoid those areas becoming underserved by financing tools, especially if these tools are centralised at national level. There are several recommendations in this study that include earmarking and higher funding intensities for rural, remote, sparsely populated and demographically declining regions, the leveraging and expansion of the use of Integrated Territorial Investments (ITI) and Community-Led Local Development (CLLD) and other territorial tools, especially for remote, rural or sparsely populated regions in the context of essential service investments, or the strengthening of the role of the regions in the planning and implementation of territorial investments, as well as the provision of targeted technical assistance.

**Disclaimer, Copyright and Licence** The opinions expressed in this publication are those of the authors only and should not be considered as representative of the European Parliament's official position. The reuse of this document is authorised under a Creative Commons Attribution 4.0 International (CC-BY 4.0) licence (<https://creativecommons.org/licenses/by/4.0/>). To use or reproduce elements that are not owned by the European Union, permission may need to be sought directly from the respective rightholders. © European Union, 2026.

**Contacts in the European Parliament**

Coordination: Diána HAASE and Ludovica MUNARI  
Editorial assistance: Julia LINDER

To give feedback or obtain copies, please write to: [DGBUDG-BSU@europarl.europa.eu](mailto:DGBUDG-BSU@europarl.europa.eu)  
This document is available on the internet at: [www.europarl.europa.eu/supporting-analyses](http://www.europarl.europa.eu/supporting-analyses)

Print: ISBN 978-92-848-3716-8 | doi: 10.2861/7969328| QA-01-26-163-EN-C  
PDF: ISBN 978-92-848-3715-1 | doi: 10.2861/7860661 | QA-01-26-163-EN-N