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SVIMEZ Associazione per lo sviluppo dell'industria nel Mezzogiorno

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• Call to Arms for Cohesion

The REARM EU Plan proposes a use of Cohesion Policy funds that contradicts their core mission of promoting economic, social, and territorial inclusion. Cohesion is a founding pillar of the European Union and should not be weakened in response to emergencies. Yet the slow implementation of the 2021-2027 programming cycle, coupled with the fragile political and civic consensus around Cohesion, may prompt the European Commission and national institutions to push for a reallocation of these resources towards defence spending. Simply opposing this shift is not enough. What is urgently needed is a comprehensive reform that addresses the shortcomings of Cohesion Policy while enhancing its contribution to a more inclusive and competitive Europe.

POLICY BRIEF

On 4 March, European Commission President Ursula von der Leyen presented to the leaders of the Member States a proposal for the new [REARM Europe Plan](#), aimed at strengthening and integrating the European defence system. Proposed funding methods outlined in the [White Paper for European Defence-Readiness 2030](#), published on 20 March, include “possibilities and incentives” for Member States to use Cohesion Policy 2021-2027 funds to increase defence spending.

- 1. Common defence is a crucial and urgent priority for Europe. Cohesion Policy has been repeatedly used as a funding source for successive emergency initiatives, despite repeated claims by European institutions about its strategic importance. However, current proposals to use Cohesion funds to finance military expenditure are difficult to reconcile with the policy's core mission of fostering economic, social, and territorial inclusion.**
- 2. The core principle of additionality in Cohesion Policy risks being compromised by excessive flexibility.** According to this principle, Cohesion funds should supplement – rather than replace – national investments in less developed regions. This principle has already been undermined in the past, when Cohesion funds were redirected to tackle emergencies. Emergency-driven changes significantly weakened the quality of spending during the 2014-2020 Cohesion programming period, increasingly shifting the focus towards business subsidies rather than addressing the infrastructural needs of less developed regions. By the end of the cycle, Italy saw a sharp reduction in the share of investments dedicated to the green and digital transitions (-33%) and to social infrastructure (-24%), compared to the original programming.
- 3. The European debate has increasingly emphasised the need to “do no harm to cohesion”** by ensuring consistency across all EU policies in support of economic, social, and territorial cohesion. This principle was reaffirmed in the [European Council](#)



Conclusions of 30 November 2023. However, the REARM EU Plan demonstrates how **the principle “do no harm to cohesion” can once again be compromised in response to a new emergency.**

- 4.** At this stage, the proposal outlines several **possibilities and incentives for Member States to use Cohesion Policy 2021-2027 funds to increase defence spending:**
 - **Allowing the use of Cohesion funds to support large defence-related companies.** This would represent a significant novelty, as current EU regulations prohibit the allocation of these funds to large enterprises.
 - **Including a wide range of defence-relevant technologies under the Strategic Technologies for Europe Platform (STEP).** These interventions could encompass both investment initiatives funded by the ERDF, and education, training, and lifelong learning activities eligible under the ESF+.
 - **Increased financial incentives, such as higher pre-financing and co-financing rates for Cohesion resources reprogrammed for defence-related expenditure.** The Commission is likely to propose mechanisms similar to those introduced under STEP, including an additional 30% in pre-financing and 100% EU co-financing for redirected investments. These measures would create a strong financial incentive: higher pre-financing reduces the cash flow burden on public administrations, while 100% co-financing frees up national resources currently tied to EU-funded projects.

- 5.** **The prioritisation of less developed regions in the territorial allocation of resources is a core principle of Cohesion Policy,** in line with its objective of promoting regional convergence. In previous emergency-driven reallocations, the original territorial distribution of Cohesion funds was largely preserved. On the other hand, **the REARM EU Plan fails to address such a crucial issue,** merely suggesting that a stronger and more resilient European defence industry could contribute to regional development. In the case of defence-related reprogramming, it is essential to clarify the territorial allocation criteria as soon as possible, given that defence investments often follow logic that diverges significantly from the socioeconomic needs of regions. This concern is further heightened by the fact that, unlike the REPowerEU initiative, the REARM Europe proposal does not impose a ceiling on the proportion of Cohesion funds that can be redirected to defence purposes.

- 6.** **While the reallocation of Cohesion resources for defence remains voluntary, it must align with the mid-term review of the 2021-2027 Programmes.** This review establishes that 50% of the EU contribution for 2026 and 2027 – amounting to approximately €50 billion – will only be definitively allocated following a specific decision by the European Commission. This gives the Commission significant leverage to influence the programme amendments required for final approval and the release of the remaining funds. As a result, in cases of delayed or ineffective programme implementation, the Commission may exert pressure to redirect resources towards defence-related investments. This issue is particularly relevant for Italy, where, as of 31 December 2024, only 4% of the 2021-2027 funds had been spent and 25% committed.

- 7.** **The “do no harm to cohesion” principle is called into question by the uncertainties surrounding the mid-term review and by the risk of reprogramming that may be inconsistent with the objectives of inclusion and additionality. According**

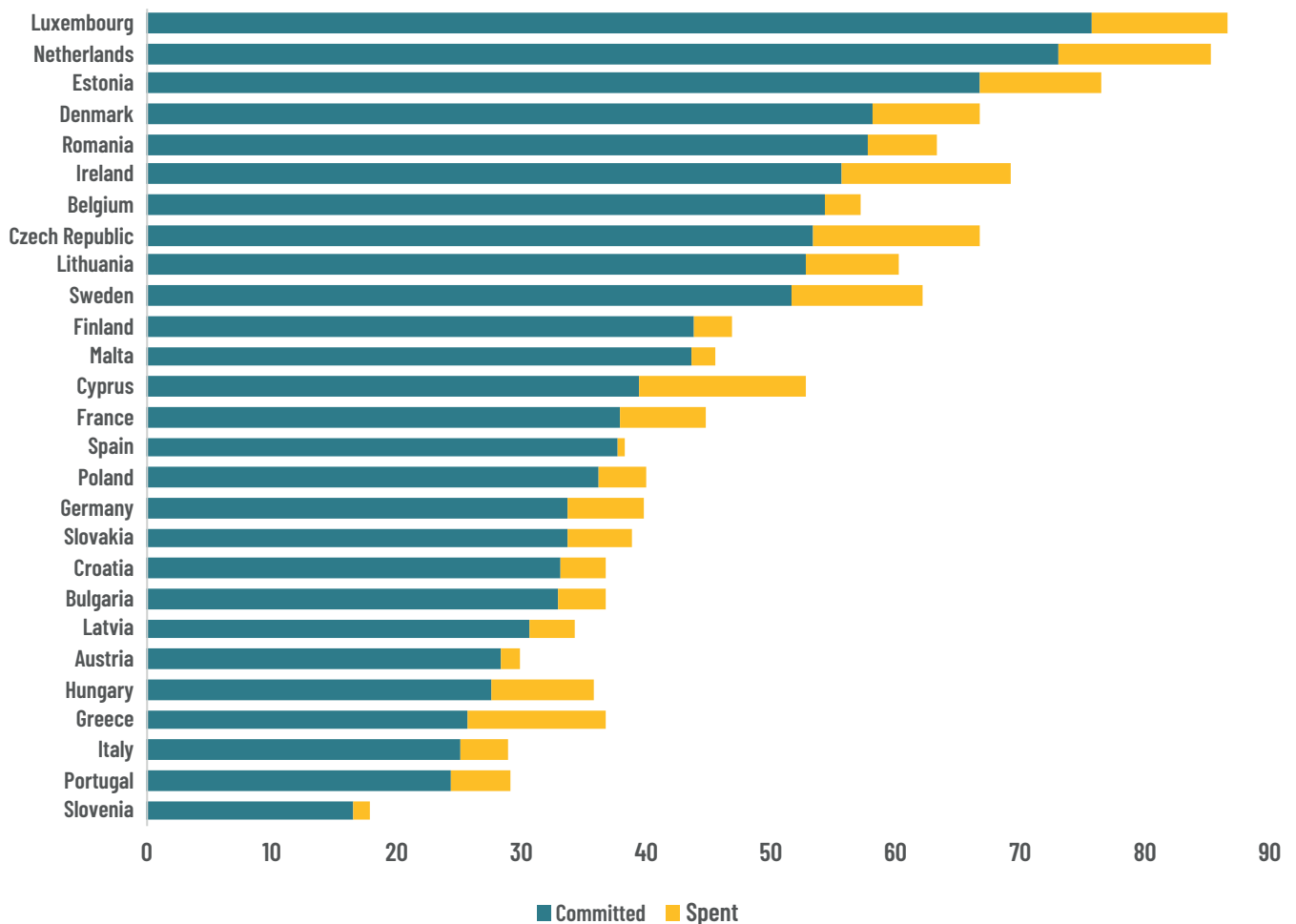


to SVIMEZ, Cohesion Policy can be safeguarded from the diversion of its resources only if it is reformed in both its overall framework and its organisational and operational arrangements, so as to better serve the goal of developing less developed regions. Such a reform should address the clear shortcomings of the current model and re-establish Cohesion Policy as a central pillar of Europe's social and economic development. It should refocus the policy on reducing regional disparities in a manner that is transparent, widely supported, and clearly measurable by both citizens and local communities.

8. A clear focus on reducing regional disparities in citizenship rights is essential to building grassroots support for Cohesion Policy. Setting measurable objectives in areas such as education, healthcare, mobility, and care rights would make these resources more defensible. In this context, a performance-based approach would require greater EU responsibility in setting goals, alongside the direct involvement of local administrations - starting with municipalities - in delivering them, building on the project and implementation momentum generated by the NRRP experience.

Cohesion resources committed and spent as a percentage of allocations (2021-2027 programming period)

Source: SVIMEZ elaboration based on OpenCoesione data





- 9. Defining clear, measurable, and verifiable objectives** – together with a focus on proximity-based citizenship services – **would stimulate greater interest and engagement from local communities in the use of EU Cohesion funds.** This, in turn, would foster civic monitoring of outcomes and help improve both public perception and overall evaluation of Cohesion Policy. This would be a crucial step for building a constituency that actively supports and defends Cohesion Policy.

- 10. Reducing regional disparities in citizenship rights should go hand in hand with assigning Cohesion Policy a central role in promoting the localisation of both public and private investment in less developed regions.** This would help consolidate and enhance all strategic priorities of the new European industrial policy outlined in the Draghi Plan. While the current debate on industrial policy largely lacks a territorial perspective, integrating industrial objectives within Cohesion Policy is the only way to ensure that regional specificities and potential are properly taken into account. This calls for a departure from the current model, where providing territorially-blind incentives to businesses is seen as the easiest way to address problems and delays in implementation. Instead, a strategic approach is needed, one that aligns with European industrial policy goals, aimed at identifying key industrial sectors and defining the most effective ways to support them.

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