



Brussels, 2 December 2025  
(OR. en)

16262/25

**LIMITE**

**COH 239**  
**FIN 1485**  
**SIMPL 201**  
**ANTICI 203**

**NOTE**

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From: Commission Services  
To: Delegations  
Subject: 2025 Annual Progress Report on Simplification, Implementation and Enforcement - Cohesion and Reforms

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Delegations will find in Annex the above-mentioned report.

PUBLIC

**2025  
ANNUAL PROGRESS REPORT**

*Simplification,  
Implementation  
& Enforcement*

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SEPTEMBER 2025

# ANNUAL PROGRESS REPORT

## 1. Introduction

This report covers progress on key policy objectives, enforcement, implementation and simplification made in the field of cohesion and reforms during the period 1 January – 31 July 2025. This will serve as the basis for a detailed discussion with the European Parliament and Council.

In preparing this report, it is important to acknowledge the specific nature of the legislative acquis under my portfolio. While it features relatively limited legislative measures (with a notable reduction of empowerments in 2021-2027 period, alongside reinforced, more detailed scope of basic acts), cohesion and reforms represent a strategic policy endeavour, where EU funds promote and sustain critical policy objectives. This strategic alignment is reflected in the structure of the acquis that I manage, seamlessly integrating funding mechanisms with broader policy goals. This also impacts on the character and scope of the measures taken to address the commitments made under the Commission's Simplification Agenda. In relation to the broader simplification agenda, it is my objective to integrate simplification efforts within every strategic initiative, and I have supported the adopted **Omnibus proposals**.

As the Executive Vice-President responsible for cohesion policy, regional development and cities, I made sure we intensified our work in close partnership with national, regional, and local authorities to ensure that Europe has a strengthened, modernised cohesion and growth policy. This particularly focused on the proposal for the **mid-term review of cohesion policy**, which aimed to reinforce strategic investments in common priorities, as well as at enhancing flexibility for the implementation of the policy. By presenting this proposal, I sought to ensure cohesion policy remains a powerful tool in delivering EU goals, while promoting balanced development and resilience across all EU territories.

Together with the Commissioner for Economy and Productivity, I co-lead the work on the implementation of the Recovery and Resilience Facility (RRF). To prepare for the 2026 deadline for the implementation of the Recovery and Resilience Facility (RRF), the Commission issued a [Communication](#) providing guidance to Member States and encouraging to further streamline their recovery and resilience plans. We advise Member States to keep only achievable milestones and targets that can be fully implemented by the end-August 2026, prioritising measures with clear, achievable milestones, while focusing on essential elements, providing robust evidence to facilitate the payment request preparation and assessment processes, as well as advancing submission of the payment requests. This guidance aims to balance efficiency with accountability, ensuring that RRF funds are used effectively while adhering to legal and environmental obligations. My services stand ready to provide bilateral and multilateral guidance to the Member States, including examples of simplification. We are also boosting our capacity for processing RRF payment requests by joining forces of Commission services working on the RRF and on the Technical Support Instrument (TSI).<sup>1</sup>

## 2. Executive Summary

- In 2025 my services focused on working more closely and more effectively with Member States and the European Parliament to deliver the priorities set out in the Mission Letter. The **mid-term review of cohesion policy (MTR)** has been an excellent opportunity to accelerate efforts to modernise and simplify cohesion policy, while the work on advancing an urban agenda prompted compelling engagement with stakeholders in cities and regions.

<sup>1</sup> Streamlining efforts will be carried forward to the 27 National and Regional Partnership Plans (NRPPs). They are set to outline investments and reforms for the 2028-2034 Multiannual Financial Framework and bring genuine simplification to make financial support more tailored and easier to access.

- Through my services, I continue to promote the use of Simplified Cost Options (SCOs) and Financing Not Linked to Costs (FNLC) and facilitate their uptake, also linked to the delivery of the MTR priorities.
- I held one Implementation Dialogue and my services organised four reality checks, providing valuable insights from the practitioners, notably as regards the opportunities for further simplifying and streamlining the delivery of cohesion policy funding. I also contributed to the Implementation Dialogue on the Recovery and Resilience Facility held by the Commissioner for the Recovery and Resilience Facility (RRF).
- DG REGIO continued to provide ample support for implementation – to Member States' authorities, partners, and beneficiaries, facilitating the exchange of knowledge, good practices and the identification of common solutions to address bottlenecks.
- In June 2025, to prepare for the 2026 deadline for the implementation of the Recovery and Resilience Facility (RRF), the Commission issued a [Communication](#) urging Member States to streamline their plans by keeping only achievable milestones and targets and to ensure that payment requests are thoroughly prepared and well-timed to facilitate the assessment process.
- The Commission tabled the proposals for the 2028-2034 MFF on 16 July. Cohesion policy and the regions remain at the centre of the future National and Regional Partnership Plans, with around EUR 450 billion available for economic, social and territorial cohesion, including fisheries and rural communities.
- In relation to the broader simplification agenda, I have supported the adoption of the key simplification Omnibus packages included in the 2025 Commission Work Programme. The Common Agricultural Policy simplification package, part of my portfolio as the Executive Vice-President responsible for cohesion policy, regional development and cities, alleviates unnecessary administrative burden on farmers and administration and moves to a more flexible implementation of the Common Agricultural Policy.
- In the next months, actions will focus on: i) strengthening competitiveness, notably through dialogue with business representatives to identify good practices and simplification opportunities; ii) advancing tailored frameworks and support to regions and territories facing specific challenges; iii) further simplifying data exchanges between Member States and European Commission, to monitor cohesion policy implementation.

### 3. Delivering Results: Key Measures

#### A. Simplification and stress tests

The first half of 2025 was dedicated to advancing the modernisation and simplification of cohesion policy to strengthen its contribution to EU priorities, while preserving its core objective of promoting convergence and reducing disparities.

*Modernising and further simplifying the 2021-2027 cohesion policy framework through the **mid-term review** while paving the ground for the next MFF*

Following many meetings with national and regional authorities and missions to various parts of the EU, on 1 April, the Commission adopted its **proposal for a modernised cohesion policy as part of its mid-term review**. The Commission proposed to amend the ERDF/Cohesion Fund and Just Transition Fund Regulations to offer Member States the possibility to better align their programmes with EU strategic and emerging priorities – competitiveness, defence, housing, water resilience, and the energy transition.

Through the **mid-term review** we encourage Member States to reallocate available funds towards these priorities and we accelerate investments through **simplification measures**, notably faster financing to strategic European projects selected under other EU instruments and to companies investing in Europe's value chains, regulatory incentives for Member States such as enhanced flexibilities in the implementation framework, as well as financial incentives in terms of higher pre-financing and co-financing.

On 15 July 2025, the co-legislators reached a provisional political agreement on the **mid-term review** legislative proposals. On 23 July, the Presidency presented this to Coreper with a view to reaching a first reading agreement with the Parliament, which was adopted in Plenary on 11 September, with a view Council adoption following swiftly.

The proposal built, among other, on the preliminary findings of the mid-term evaluations of the ERDF, the CF and the JTF 2021-2027.

Evaluations, studies and numerous dialogues with EU institutions, regional and local authorities, stakeholders and partners, also fed the **proposals for the 2028-2034 multiannual financial framework**. The proposals, that are now subject to the co-legislative negotiations with the European Parliament and the Council, bring more flexibility and simpler rules to alleviate administrative burden, while respecting the core principles of cohesion policy, partnership, multilevel governance, shared management in a place-based approach and building on the implementation structures in place to ensure continuity.

Furthermore, in the first months of the mandate, I initiated work for “**an ambitious policy agenda for cities**”, as President von der Leyen requested in her Mission Letter. The initiative is a key deliverable for the Commission’s work in 2025, aiming to provide a clear vision for the future of cities, and to harness their potential as innovation, growth and competitiveness engines.

The current work on the agenda also takes stock of feedback received through an implementation dialogue with Mayors, Deputy Mayors and other elected officials, as well as from the Cities Forum which took place in Kraków, Poland, from 17 to 19 June 2025. It aims to put forward a **simple, coherent policy and support framework streamlining** the many existing EU initiatives, addressing the fragmentation of instruments available at EU level that impact EU cities while fostering clearer communication and coordination across policy areas. This is a strategic intervention for the European Commission as a whole, to support cities more effectively and provide a comprehensive mechanism, to assist them with strategic planning and implementing policies to address multiple challenges.

*RRF – NextGenerationEU – The road to 2026*

**On 4 June 2025, the Commission published a [Communication](#) on NextGenerationEU, which urges Member States to review and simplify their recovery and resilience plans and provides the necessary guidance to this end.** In the context of the [RRF mid-term evaluation](#), Member States noted that Council implementing decisions were too detailed, with specifications that exceed the requirements needed to demonstrate fulfilment of a measure. The legally binding character of each element contained therein, including in the description of the measure, has been reinforced by a literal interpretation by the European Court of Auditors. In the view of some Member States, this has led to a higher-than expected administrative burden in implementing the Facility and to implementation delays. In response, the 4 June 2025 Communication suggests ways to simplify Member States’ recovery and resilience plans. This includes reviewing the wording of measures, milestones and targets to ensure that they focus on essential elements only, while still complying with all assessment criteria laid down in the RRF Regulation. This will require coordinated action between Member States and the Commission, which will support the process through bilateral and multilateral engagement, offering concrete examples of simplification.

**The Communication also stresses the importance of streamlining payment processes.** On the one hand, Member States are encouraged to plan ahead and provide sufficient evidence to avoid delays during assessment; on the other hand, ensuring that sufficient resources are allocated to processing the submission of the last payment requests is essential, both in the national authorities and the Commission.

*Broader simplification agenda - the Common Agricultural Policy simplification package*

In relation to the **broader simplification agenda**, I have supported the adoption of the key simplification omnibus packages included in the 2025 Commission Work Programme. **The Common Agricultural Policy simplification package**, part of my portfolio as the Executive Vice-President responsible for cohesion policy, regional development and cities, alleviates unnecessary administrative burden on farmers and administration and moves to a more flexible implementation of the Common Agricultural Policy.

The proposed changes include on-farm simplification of requirements, better recognition of diverse farming practices such as organic farming, streamlined support for small and medium-sized farms through simplified payments, and actions to boost competitiveness, including enhanced access to financial tools and laying the groundwork for digital solutions. The changes could save up to EUR 1.58 billion annually for farmers and EUR 210 million for national administrations.

#### *Reality checks*

In the light of recent Commission initiatives and emerging priorities in 2025, we screened the cohesion policy delivery and looked for more opportunities to amplify the potential for simplification. To this end, through four reality checks organised in 2025, we **reached out to practitioners and companies, including SMEs and mid-caps, in different regions and contexts**, to understand their experience on the ground and the impact of cohesion policy on their activities.

DG REGIO held a first reality check with stakeholders from the business sector and local and regional authorities in the Eastern border regions of Latvia, Latgale and Vidzeme. The practitioners **call for simplification and streamlining of the funding opportunities** to address the complexity and fragmentation of available grants, advisory support specifically targeted at enterprises operating in these regions, and easier access to finance, including by leveraging commercial lending.

Regarding recent Commission initiatives, we looked at the **New European Bauhaus (NEB)**, where cohesion policy is a major contributor. The reality check held with the NEB **Community of Practice** confirmed pressure points hurdles faced by managing authorities and beneficiaries such as red tape, state aid issues, which warrant further action both from the Member States and the European Commission.

A third reality check focused on the **Strategic Technologies for Europe Platform (STEP)**, to which cohesion policy contributes with more than EUR 9 billion mobilised so far. Together with beneficiaries and business support organisations, DG REGIO explored the **benefits and obstacles to receiving funding for STEP projects** and identified further potential to simplify e.g. further reduction of administrative burden, a speedier timeline for approval of projects important for Europe's competitiveness, and advisory support targeted at micro enterprises and start-ups.

A fourth reality check focused on **simplification measures** in delivering cohesion policy funding. It consisted in exchanges with businesses, mainly SMEs. Participants highlighted the **major reduction of administrative burden brought by the use of Simplified Cost Options** for beneficiaries e.g. faster processing of payment requests, reduced errors and lower entry barriers for small companies. The entrepreneurs call for further support, such as best practice exchanges to enable a faster adoption of such new measures across all Member States, making available advisory services for companies, and harmonized information about EU funding.

#### *Advancing the simplification agenda*

Already with the novelties introduced by the 2021-2027 framework for cohesion policy and through the subsequent simplification measures, we contributed to a **reduction in administrative burden**. Compared to 2014-2020, we achieved estimated cost reductions at all stages of implementation for both programme authorities and beneficiaries, as shown by preliminary findings from the mid-term evaluation of the European Regional Development Fund (ERDF), the Cohesion Fund (CF) and the Just Transition Fund (JTF) 2021-2027. This is largely ensured by obligatory electronic exchanges including e-cohesion requirements.

**Simplified Cost Options** and **Financing Not Linked to Cost** schemes show the biggest benefit, according to exchanges with stakeholders in the context of the reality checks held by DG REGIO, and confirmed by the results of several studies: a study looking into the uptake of these tools in ERDF/Cohesion Fund and Just Transition Fund programmes<sup>2</sup> and the preliminary results of a study assessing the administrative costs and burden of Common Provisions Regulation funds<sup>3</sup>, where the findings confirm that the greatest potential for administrative cost savings

<sup>2</sup> [Study](#) on the uptake of Simplified Cost Options (SCO) and Financing Not Linked to Costs (FNLC) for the Common Provisions Regulation (CPR) Funds in the 2014-2020 and 2021-2027 programming periods

<sup>3</sup> Study to be published later in 2025.

lies in the expanded and systematic use of SCOs and FNLCs. The simulations point to up to 20-25% administrative workload reduction if 50% of the budget is covered by SCOs, particularly in sectors with high volumes of small-scale operations.

The digitalisation of procedures is an essential requirement, while gold-plating by Member States undermines the intended benefits of regulatory simplifications. The Member States have concrete, diverse, and efficient tools available to work with to reduce administrative burden and the European Commission remains committed to assisting Member States with improving the uptake of such mechanisms.

DG REGIO has taken significant steps towards **enhancing the use of output and results-based reimbursement models**, SCOs and FNLC. In 2025, the REGIO Transnational Network for Simplification, which serves as a primary channel for exchanging and building expertise in this field among all 27 Member States, convened twice.

Additionally, the Commission collaborates closely with Member States through a variety of formats (workshops, advisory services, toolboxes) to establish and disseminate good practices, while also addressing issues related to setup, implementation, and audit of SCOs and FNLCs. So far, in 2025 several national and three multi-country workshops took place on designing FNLC models in REGIO funds-related areas and on the use of common indicators for FNLC.

#### *Reviewing priorities and reducing delegated and implementing acts*

As part of the work on screening our acquis applicable in the current programming period 2021-2027, DG REGIO identified 20 empowerments for the adoption of delegated and implementing acts which could be prioritised. In view of the Commission simplification agenda, my services have identified eight empowerments that could be deprioritised<sup>4</sup> in the 2028-2034 period and two empowerments of the current programming period are not expected to be used<sup>5</sup>. In the future, the Commission proposals laying out the next multiannual financial framework aim to considerably decrease the legal acts adopted on the basis of the empowerments<sup>6</sup>. Implementation

## **B. Implementation**

### *The Recovery and Resilience Facility*

**In its 4 June 2025 Communication on NextGenerationEU, the Commission concluded that while implementation of the Facility and disbursements of RRF funds – particularly for non-repayable support – have progressed rapidly, implementation needs to be accelerated in many Member States.** By July 2025, EUR 319 billion<sup>7</sup> (49% of the total) had been disbursed for 2,360 milestones and targets. The 2025 RRF Annual Report will present an overview of the results and economic impact of the RRF, and detailed information on the state of play of the implementation of the Facility. Implementation delays are linked to both the unexpected crises that have emerged during the lifetime of the RRF, notably the energy crisis, high inflation and supply chain disruptions, and administrative burden. Further simplification and coordination are expected to help increase the

<sup>4</sup> Related in particular to: (i) Just Transition Fund and Public Sector Loan Facility (PSLF) under the Just Transition Mechanism, (ii) the Brexit Adjustment Reserve, and (iii) adoption of the multiannual programming/planning document(s).

<sup>5</sup> The adoption of the implementing act prescribed in Art. 15 of the [Regulation \(EU\) 2021/1229](#) is not needed, as the EIB is the single finance partner for the implementation of the PSLF. The empowerment of the Commission, provided in Art. 16 of the [Regulation \(EU\) 2021/1229](#), to amend the list of performance indicators listed in Annex II to the Regulation through a delegated act will not be used as the interim evaluation did not identify the need for additional performance indicators.

<sup>6</sup> [COM/2025/565](#) Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028-2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509 and [COM/2025/545](#) Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing a budget expenditure tracking and performance framework and other horizontal rules for the Union programmes and activities.

<sup>7</sup> By 31 July 2025, the Commission had made disbursements to five additional Member States and adopted the Commission implementing decisions authorising disbursements to five additional Member States to take place in August 2025. This brings the total disbursements authorised to EUR 362 billion (55% of the total).

pace of implementation. This includes support from the Commission, via the Technical Support Instrument (TSI), to help Member States implement their national recovery and resilience plans. In particular, between January and July 2025, the TSI supported three Member States in the general implementation of their RRPs and eight Member States in building their capacities for effective communication of the benefits of the RRPs.

#### *Implementation dialogue on EU cohesion policy provisions for sustainable urban development*

To inform the preparations of the EU Agenda for cities, on 24 June 2025 I held an [Implementation Dialogue](#) with Mayors, Deputy Mayors, and other elected officials to identify potential for improvement in the direct work with cities. The dialogue reinforced a **broad consensus on the importance of cohesion policy for cities of all sizes**, the need for dedicated financing, continued **cooperation to address urban related challenges** and to develop the new Agenda for cities. Participants emphasised that more flexibility, simplification and cross-sectoral collaboration, for example between the European Regional Development Fund and the European Social Fund, should be encouraged to allow for a more integrated approach.

Additionally, the dialogue revealed significant support for the **Integrated Territorial Investment** approach, which makes it easier to run territorial strategies that need funding from different sources. Furthermore, cities called for a regular and structured dialogue with the European Commission. Multi-level governance and place-based approaches remain essential tools for the involvement of cities, to facilitate simpler structures, create strategic plans to deploy investments, and ensure increased visibility of locally differentiated needs.

#### *Tailored support to Member States and stakeholders*

Throughout 2025, my services continued to deliver tailored support to Member States and cohesion policy stakeholders, covering a plethora of services, ranging from technical assistance and thematic support to capacity building and knowledge exchange platforms.

Contributing to the urban dimension of cohesion policy for the 2021-2027 period, the **European Urban Initiative (EUI) and the URBACT IV programme** continued to support cities of all sizes in building capacity and knowledge and has facilitated the development of transferable and scalable solutions to urban challenges of EU relevance. A concrete example is the PORTICO platform, established by the EUI and which tackles the fragmentation of knowledge sources to support urban practitioners at all levels.

My services manage five technical and thematic support platforms, four communities of practice, four networks and animate several peer-to-peer exchange platforms and communities which allow direct engagement with practitioners and beneficiaries on the ground.

Among these, the **Thematic Smart Specialisation Platforms** and the **Smart Specialisation (S3) Community of Practice** reinforce the creation of strategic value chains for key technologies e.g. European Alliances for batteries, hydrogen, and fuel cell technology. In 2025, 30 regions in 15 Member States received support in the implementation of the European Regional Development Fund to increase their competitive advantage and promote innovative and smart economic transformation.

The **Just Transition Platform (JTP)** is the key tool to help EU Member States and regions most affected by the transition to climate neutrality unlock support available through the Just Transition Mechanism, which is a novel instrument in the 2021-2027 programming period. In 2025, the JTP provided comprehensive advisory services to 28 JTF regions in 10 Member States to intensify their efforts and facilitate the implementation of the JTF.

To enable investments as part of system-wide sustainability transitions and help, DG REGIO manages the **Cohesion for Transitions (C4T) Platform and Community of Practice**. In 2025, C4T is providing dedicated technical assistance to 13 authorities in eight Member States for the implementation of cohesion policy funding including in the areas of climate, water resilience and preparedness, as well as energy transition and circular economy.

The **administrative and implementation capacity of programme authorities in Member States** needs sustained integrated and tailored support. DG REGIO provides a series of tools and services to support them in the implementation of cohesion policy funds. In the first half of 2025, over 530 participants from EU Member States joined the **TAIEX-REGIO Peer2Peer exchanges** in the form of study visits, and some 260 staff from programme

authorities have participated in **training sessions** organised by my services on State aid, public procurement, anti-fraud/corruption, Integrity Pacts and Administrative capacity building roadmaps.

**The New European Bauhaus Peer2Peer Community of Practice** provides a space where the EU cohesion policy funds practitioners can excel in the development of NEB project pipelines, including identification of types of projects that can support the initiative, preparation of calls for proposals and project selection criteria.

**Access to data and transparency** remains a priority for me and my services. The **Cohesion Open Data Platform** offers regular updates on financial implementation and performance reporting of all the programmes funded by cohesion policy. Navigation pages, visualisations and datasets in open format provide full transparency on the implementation of the policy. Similarly, **Kohesio** is being enriched with the list of the projects and beneficiaries that have been selected by the Managing Authorities to receive financial support by the 2021-2027 programmes.

Digital solutions are essential to ensure that **reporting obligations** do not create disproportionate administrative burdens. Although data could be transmitted automatically using standard IT protocols, only a few Member States currently utilise this method, the majority leaving this potential largely untapped.

In 2025, DG REGIO investigated further the underlying factors that could simplify Member States' reporting to the Commission and aims to assist Managing Authorities in adopting **simplified and more automated data transmission**, and more advanced methods for data quality assurance. The work carried out also allowed the Commission to propose a more efficient data use, reporting and monitoring approach for the 2028-2034 period.

## C. Enforcement

In shared management under cohesion policy, in order to protect the Union budget, **Member States are in the first instance responsible for applying financial corrections** to cancel all or part of the support from the Funds to an operation or programme where expenditure declared to the Commission is found to be irregular (Art 103(1) [Regulation \(EU\) 2021/1060](#)).

The Commission made **financial corrections**<sup>8</sup> in accordance with Article 104 [Regulation \(EU\) 2021/1060](#) to protect the Union budget by reducing support from the Funds to a programme where deficiencies and/or irregularities affect expenditure already paid by Commission/included in accepted accounts. The Commission also **interrupted the payment deadline**<sup>9</sup> when there was evident to suggest a serious deficiency and/or additional verifications are needed to check suspected irregularities. The Commission may suspend payments: i) in cases where a Member State has not taken action to address the situation giving rise to an interruption; ii) if there is a serious deficiency; iii) if irregular expenditure is included in a payment application or there is a reasoned opinion on a matter which puts at risk the legality and regularity of the expenditure.

My services **followed up complaints from citizens**<sup>10</sup> relating to the implementation of cohesion policy funding in Member States. As the funds are implemented under shared management, **Member States are obliged to have effective arrangements for examining complaints** at national level and the Commission may request the Member State to examine complaints submitted to the Commission and to inform the Commission of the results in accordance with Article 69(7) of [Regulation \(EU\) 2021/1060](#).

In cohesion policy, **enabling conditions serve as an important tool for the EU to introduce and enforce horizontal principles, rules, and standards**. These conditions are prerequisites for the effective and efficient

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<sup>8</sup> Four financial correction procedures were launched and one financial correction procedure was finalised with the adoption of a financial correction decision reducing the EU contribution to a programme during the reference period

<sup>9</sup> The payment deadline was interrupted for one programme during the reference period

<sup>10</sup> Fifteen complaints were received during the reference period. Twenty complaints were closed during the same period [most of those closed were received in 2024]

implementation of investments under specific objectives. By ensuring these criteria are met, a favourable framework for investment is created and maintained throughout the programming period.

In cohesion policy, there are **four horizontal enabling conditions (HECs)** focusing on public procurement, State aid, the application of the EU Charter of Fundamental Rights, and the United Nations Convention on the Rights of Persons with Disabilities. The horizontal enabling conditions apply to all specific objectives. Additionally, there are **sixteen thematic enabling conditions (TECs)** that address areas such as smart specialisation, energy efficiency in buildings, energy governance, renewable energy, disaster risk management, water and wastewater infrastructure, waste management, conservation of natural habitats, broadband access, transportation, active labour market policies, gender equality, education and training, social inclusion and poverty reduction, Roma integration, and health.

Each thematic enabling condition is linked to a particular specific objective and becomes applicable automatically when that specific objective is chosen for support. Currently, several TECs remain unfulfilled, especially concerning transport planning, water, waste and wastewater management, health and long-term care, and mainly for programmes in 13 Member States<sup>11</sup>. Thus, **EUR 6.4 billion remain blocked because of unfulfilled TECs** which corresponds to 1.7 % of total cohesion policy's allocation.

**The Rule of Law** is a fundamental value of the European Union, as outlined in Article 2 of the Treaty on European Union (TEU) and the preambles of the TEU and the Charter of Fundamental Rights. It is crucial for protecting other core values such as freedom, democracy, equality, and human rights, and is essential for ensuring sound financial management, as detailed in Article 317 of the Treaty on the Functioning of the European Union (TFEU). The EU has powers to withhold EU funds where breaches of the principles of the Rule of Law affect the sound financial management of the Union budget, as established by the Budget Conditionality Regulation (Art. 4-5)<sup>12</sup>. In addition, under the Common Provisions Regulation (Articles 15 and Annex III)<sup>13</sup> Member States must fulfil the horizontal enabling conditions of the EU Charter of Fundamental Rights to access EU cohesion funds.

Currently, only Hungary remains with above conditions unfulfilled resulting in blocked funds<sup>14</sup>.

In 2025, I continued to advocate for upholding the Rule of Law framework and ensure that cohesion policy funds are used effectively and transparently. For instance, the provisions related to the **mid-term review** include specific elements related to the safeguarding of democratic principles and rule of law alongside practical effects of implementing horizontal enabling conditions.

## 4. Way forward

On the implementation side, in the next months my efforts and DG REGIO's action will focus on delivering the priorities and opportunities stemming from the **mid-term review** of cohesion policy. This includes a constant dialogue with Member States to ensure that the reprogramming of cohesion policy resources towards emerging priorities also caters for further simplification and facilitation of access to funding for beneficiaries, alongside compliance with provisions related to Rule of Law and enabling conditions.

Planned actions will notably focus on further strengthening **competitiveness** and stepping up dialogue with business representatives, to identify best practices and simplification opportunities also with a view to enhance the delivery of MTR flexibilities. In particular, in September 2025, I will hold an Implementation Dialogue on EU funding and regional competitiveness.

Through my services, I will keep **promoting the use of SCOs and FNLC and facilitate their uptake**, also linked to the delivery of MTR priorities, in particular through the ready-made templates that have been developed on

<sup>11</sup> These are Spain, Greece, Italy, Portugal, France, Hungary, Germany, Croatia, Cyprus, Bulgaria, Estonia, Malta, Slovenia.

<sup>12</sup> [Regulation \(EU, Euratom\) 2020/2092](#)

<sup>13</sup> [Regulation \(EU\) 2021/1060](#)

<sup>14</sup> [Council Implementing Decision \(EU\) 2022/2506](#)

items linked to the MTR priorities. I will give a particular focus to SCOs that generate benefits for final beneficiaries (companies), whose benefits have been widely recalled by practitioners in reality checks held this year.

Beyond the **mid-term review**, to ease reporting obligations and facilitate better exchanges of data between Member States and the European Commission, DG REGIO will assist Managing Authorities in adopting **simplified, automated data transmission**. This will be achieved by **providing a platform for peer learning and fostering engagement** at both technical and managerial levels among all Managing Authorities.

Additionally, and in the context of the forthcoming Strategies to be adopted by the Commission, DG REGIO will be zooming in on and maintaining dialogue with **Eastern Border Regions**, who are at a disadvantage when it comes to market access and geographically specific limitations, as well as with **Outermost Regions** to help them address the major challenges they face due to their remoteness, insularity, small size, difficult topography and climate, as well as economic dependence on a reduced number of products.

## Annex: Examples

Below are 4 practical and concrete examples of simplification and implementation results.

### I. Legal provisions of the Mid-Term Review

The Commission proposal '[A modernised Cohesion policy: the mid-term review \(MTR\)](#)' adopted in April 2025 includes new simplification measures such as:

- Cohesion policy Managing Authorities may use a **simplified selection process** for Commission-approved IPCEIs (Important Projects of Common European Interest) under ERDF and JTF, provided that such projects comply with the relevant Fund, and programme and are consistent with the relevant strategies underlying the programme. Direct award for IPCEIs under ERDF is also made possible for large enterprises.
- Strengthening **competitiveness** by:
  - A targeted increase in the scope for supporting productive investments in large enterprises under ERDF.
  - JTF support for investments awarded a Seal of Excellence under other EU instruments was enabled.
- The possibility was added to **reallocate ERDF to the European Urban Initiative and to the Interregional Innovation Investment Instrument** to increase flexibility of resources; projects meeting EUI quality requirements that could not be funded due to lack of available budget may also receive a Seal of Excellence and qualify for a simplified selection process like IPCEIs.

### II. RRF Simplification

As stated in the [Communication](#) "NextGenerationEU - the road to 2026", the Commission is supporting a simplification exercise that encourages and guides Member States to review their Recovery and Resilience Plans (RRPs). The review should aim to streamline the wording of the RRP. The latter will ensure that all requirements included in the RRP are related to essential elements of investments and reforms and do not create unnecessary administrative burden during the assessment process.

The simplification of RRP will benefit all the authorities involved, both at national and EU level, as **the burden of the assessment and payment process is reduced, thus ensuring a smooth and effective processing of payment requests and disbursements**.

### III. Simplified Cost Options

**As an innovative mechanism of reimbursing grants under cohesion policy funds**, SCOs significantly facilitate access to funding, particularly benefiting small entities like SMEs and micro-enterprises. Specifically,

**SCOs shift the focus from inputs and invoices to the achievement of outputs and results, thereby enhancing the quality of projects and** enabling simpler and quicker evaluation and selection of projects. The European Commission will continue its efforts to enhance the uptake of SCOs and FNLCs by encouraging Managing Authorities to adopt such options directly benefitting the final recipient of the funds. Companies have been particularly vocal about enhancing such simplification measures, along with increased advisory services and more harmonised rules and funding sources.

#### **SCOs in practice:**

- Offering a lump sum for each SME participating in national or international events: in countries like Italy or Lithuania, such SCOs help **reduce the complexity of managing individual cost claims** and represent a valuable tool for them to identify new markets and opportunities, establish links with strategic partners, and enhance growth.
- Providing a lump sum or unit cost for consultancy services in Belgium or Malta supports SMEs in **obtaining necessary expertise** without cumbersome administrative processes allowing them to develop and implement new business models, facilitate their access to finance and further digitalise their activities.
- Offering a predefined lump sum to cover costs associated with Environmental Management System (EMS) installation and certification helps SMEs in countries like Lithuania, for example, in **adopting sustainable practices** efficiently.
- Supporting **energy efficiency renovation** in **social housing**: in France, various regions have implemented SCO methodologies to reimburse all costs for energy renovation in social housing. This initiative aims to reduce energy consumption and CO2 emissions while simplifying the implementation of the renovation projects.
- Enhancing the use of **energy efficiency technologies** in **households**: In countries like Cyprus, Czech Republic, Lithuania, and Latvia, SCOs are used to facilitate the access of citizens to the installation of technologies enhancing household energy efficiency, such as renewable energy source heat generators, solar panels, and energy storage devices.

#### **IV. Financing Not Linked to Costs**

FNLC represents another innovative model of reimbursement under cohesion policy funds which offers an alternative to real costs or simplified cost options, and which is based on the **fulfilment of agreed conditions or results**. FNLC can speed up absorption, simplify implementation and ensure better focus on achieving policy objectives by offering the possibility to Member States to be more ambitious in terms of results when designing their schemes.

As of May 2025, **13 FNLC schemes** have been adopted or approved by the European Commission in nine Member States (AT, BG, CY, DE, EE, HU, IT, LV, RO) for an estimated total expenditure of EUR 3 billion<sup>15</sup>. Over the last months, Member States expressed more interest in using FNLCs and submitted several proposals: **13 additional FNLC proposals** are currently under assessment in DG REGIO and more Member States are in the process of developing further ones. The schemes cover almost all relevant areas for ERDF, CF, and JTF e.g. additional technical assistance, energy efficiency, research and development, research and innovation, broadband, infrastructure.

As concrete examples, payments are linked to greenhouse gas emission reduction in enterprises and local authorities (in Austria) and residential buildings (in Estonia) due to energy efficiency-related investments and renovation.

My services have developed **performance-based models** covering all main relevant areas of intervention for the European Regional Development Fund, the Cohesion Fund, and the Just Transition Fund. Further FNLC models have also been designed by the members of the Transnational Network on Simplification. All models are adaptable

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<sup>15</sup> This covers all FNLC schemes adopted since the start of the programming period.

blueprints, requiring further national customisation. JTF programmes can use the relevant models applying JTF-specific rules.

Areas covered by the FNLC models:

- Innovation funding support for SMEs
- Digital transition of SMEs
- Modernisation of railway lines
- Waste management and recycling
- Sustainable urban mobility
- Digital connectivity
- Energy-efficient renovation of residential buildings
- Upgrade and expansion of water and sewerage systems
- Development of pre-hospital medical infrastructure

Almost EUR 110 billion of the whole cohesion policy budget i.e. 21%, is expected to be reimbursed in 2021-2027 through SCOs and FNLCs by the end of the programming period. For the ERDF and CF, the figures will double compared to the results achieved under the 2014-2020 period.

#### **V. New European Bauhaus**

To support the mainstreaming of the New European Bauhaus in cohesion policy programmes, in March 2025 I launched, through my services, a Community of Practice, bringing together programming authorities, project promoters, and other key stakeholders and helping with their exchanges. Two meetings took place already with representatives of the programmes from the 18 Member States who are already active in this initiative. The community proposed concrete solutions for simplification such as mechanisms to facilitate beneficiaries' understanding of the NEB principles, increased access to simpler and faster calls, early-stage disbursements, implementing dedicated guidelines Hosting regularly such events can further help future beneficiaries understand NEB values and prepare for upcoming calls for projects.